Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr.42	Japan Y550	Singapore .. S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain ... Pta 110
Cyprus ... C£0.60	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.25	Lebanon . £L 8.00	Sweden .. Skr 8.50
Egypt .... E£1.00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,720 Friday September 6 1985 D 8523 B

The stark choice facing Swedish voters, Page 18

World news | Business summary

Canada urged to free trade with U.S.

Canada was urged by a Royal Commission report to move towards free trade with the U.S. over the decade starting in 1987. The issue of free trade is expected to dominate political debate in Canada in coming months as the Federal Government unveils its policy towards Washington.

The Commission, headed by former Finance Minister Donald MacDonald, questioned widespread concern that Canadian industry will be swamped by more efficient U.S. producers. It argued that manufacturers are more competitive than they are perceived to be.

Trade unions oppose liberalising trade with the U.S. because they say it will threaten jobs. Page 4

Six shot in Chile

Six people were shot dead during nationwide protests against Chile's military rulers and 577 people were arrested. Page 4

Egyptian change

The appointment of Dr Ali Lutfi as the new Egyptian Prime Minister signals a more rigorous approach to government spending and tax collection. Page 3

Paris bomb attacks

Action Directe, a French left-wing group, carried out four bomb attacks in Paris against companies it said had ties with South Africa. Two people were slightly hurt. Page 2

EEC harvest

The EEC, already awash with millions of tonnes of unsold grain, faces a record harvest for the second year running despite heavy summer rain.

Kuwaiti crackdown

Kuwait has deported 6,270 people since a failed car-bomb attempt on the life of the Emir, Sheik Jaber al-Ahmed al-Sabah, last May.

Spanish coal strike

Miners brought coal mines in Spain's northern Asturias region to a standstill at the start of a 48-hour strike to protest against the high number of accidents in pits.

French flights halted

A 12-hour strike by French air traffic controllers halted scores of flights, almost grounding domestic services and seriously disrupting many European routes.

Hamburg drugs haul

West German police found a record 6.7m tonnes of hashish hidden in oil drums aboard a Lebanese ship in Hamburg.

Pacific clashes

About 20 people, most of them police, were injured in clashes between para-military forces and separatists barricading roads in the French Pacific territory of New Caledonia.

Romania gets tough

Communist Romania, anxious about lagging production, has set tough pay penalties for workers who fail to meet targets and bonuses for those who surpass them. Page 2

E German defects

An East German border guard in full uniform escaped across the frontier into the West German state of Lower Saxony.

Buzz for budgie

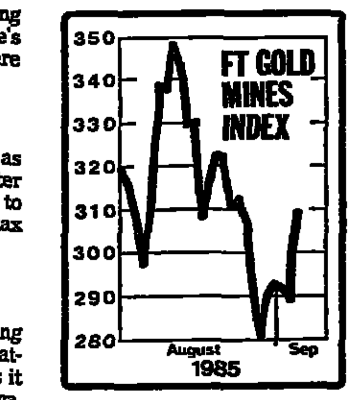
An elderly British couple got more than they bargained for when they bought a bag of birdseed for their budgie, Minnie. Waste seed thrown into the garden turned into an 8ft cannabis plant.

Hutton finance chief to resign

E. F. HUTTON, U.S. broker, said its chief financial officer, Mr Thomas Lynch, would step down after strong criticism in an independent inquiry into the firm's financial practices. Page 19

DOLLAR rose in London, closing at DM 2.86 (DM 2.8475), SwFr 2.356 (SwFr 2.3455), FFr 8.7325 (FFr 8.7025) and Y239.9 (Y239.55). On Bank of England figures, the dollar's exchange-rate index fell to 139.0 from 139.1. Page 33

STERLING was weaker in London, losing 90 points against the dollar to $1.365. It also fell to DM 3.9075 (DM 3.9175), SwFr 3.21 (SwFr 3.2125), FFr 11.92 (FFr 11.9475) and Y327.5 (Y329.0). The pound's exchange-rate index was unchanged at 82.0. Page 33



FT GOLD Mines Index gained 19.6 to 309.5, reflecting the more confident tone of South African mining markets in the wake of the collapse of the black mineworkers' strike. Stock market report, Page 36; Commodities, Page 32

GOLD rose $1.00 on the London bullion market to $325.75 but was lost 50 cents in Zurich to close at $325.00. Page 32

WALL STREET: The Dow Jones industrial average closed 0.89 down at 1,325.83. Page 40

LONDON was dominated by speculative activity and the FT Ordinary index recovered from an early 8-point fall to close 3.1 down at 1,003.3. Gilts firmed. Page 40

TOKYO was unsettled by the movement in the yen and the Nikkei-Dow market average fell 37.67 to 12,491.80. Page 40.

FRANCE decided to establish a market in commercial paper to widen the range of short-term finance available to large companies.

LLOYD'S, the London insurance market, announced underwriting losses of £188m ($255) the worst in its 300-year history, and a drop of nearly £100m in profits to £57m for 1982, the latest completed trading period. Page 18

MARUBENI of Japan is to take a 7.5 per cent stake in a project to develop the huge offshore gas reserves in the Gulf state of Qatar.

SEAGRAM, the world's largest distiller, reported a continued drop in profits in the second quarter, with net earnings of $71.2m or 78 cents a share, against $107.6m or $1.2 a share a year earlier. Net profit for the first half was $95.6m against $197m.

NIPPON Steel of Japan, world's largest steelmaker, said its profits will be 20 per cent lower this year than in 1984 because of sluggish exports to China and increased competition in the U.S. market. Page 20

SWEDYARD, Sweden's state-owned shipbuilding group, is expected to decide today on a new proposal by Scandinavian banks aimed at rescuing Consafe, financially stricken offshore services group. Page 19

AT&T, U.S. telecommunications group, has begun producing a 1m-bit computer memory chip for evaluation by customers. The new chip can store four times as much data as any existing one. Page 19

Pretoria warns of dangers posed by U.S. sanctions

BY ANTHONY ROBINSON IN JOHANNESBURG, PETER MONTAGNON IN LONDON AND STEWART FLEMING IN WASHINGTON

MR LOUIS NEL, South Africa's Deputy Foreign Minister, yesterday made a last-minute appeal to the U.S. Congress and to foreign bankers not to impose sanctions on South Africa.

With the U.S. Senate expected to approve a sanctions bill next week, Mr Nel warned: "The American decision may just start a train of events which America will find impossible to control." He warned that the worst effects would be felt by the independent black states of southern Africa.

In Washington, it was reported yesterday that the Reagan Administration was busy trying to head off Senate approval of a sanctions bill which has already been passed by the House of Representatives.

The Administration faces the real danger that any presidential veto of the legislation might be overturned by the necessary two-thirds majorities in both chambers. That would be a sharp blow to the President's prestige and a blunt rejection of his "constructive engagement" policy towards South Africa.

Clearly Pretoria now sees a very real danger of U.S. sanctions, and was at pains yesterday to emphasise the potential economic and political damage they could wreak. Mr Nel said that any undermining of the South African economy would further polarise the country and retard the Government's readiness to negotiate with all racial groups providing they eschew violence.

If U.S. legislation was passed cutting off new loans to the Government and the public sector, the South African power and transport authorities, which provided essential services to neighbouring states, would be affected.

Mr Nel said that, for example, Escom, the state electricity corporation, supplies all the electricity used in Lesotho, 79 per cent of that in Swaziland and 52 per cent in Botswana, as well as 60 per cent of the needs of the Mozambique capital Maputo.

South Africa's finances were a serious preoccupation in London yesterday when Dr Gerhard de Kock, the country's reserve bank governor, arrived from New York for talks with commercial bankers and the Bank of England.

Senior bankers said that South Africa had so far failed to identify an individual banker to act as a go-between in its rescheduling talks with individual banks and might still set up a conventional committee of creditor institutions.

Talks are concentrating on a longer-term solution to the country's $21bn foreign debt problem.

It is already clear, however, that Dr de Kock's idea of appointing a mediator to handle the rescheduling of some $12bn in short-term debt met resistance from some U.S. banks. Although they are concerned over the impact of participation in rescheduling talks on their shareholders and customers, many U.S. banks are also anxious to be directly represented in South Africa's rescheduling talks.

Also the practical problem has emerged of finding an independent banking expert with the type of administrative back-up that a mediator's role would require.

In yesterday's talks, Dr de Kock sought to reassure British bankers

Continued on Page 18

White area attacked, Page 3; Nedbank in the debt crossfire, Page 19

Nigerian IMF deal 'to include naira adjustment'

BY PATTI WALDMEIR IN LAGOS

NIGERIA'S central bank Governor yesterday emphasised the new military regime's intention to reach an early agreement with the International Monetary Fund (IMF) for a loan of up to $2.5bn and indicated that an "exchange rate adjustment" would form part of the agreement.

The Governor, Alhaji Abdulkadir Ahmed, said in an interview with the Financial Times that the Government of Major General Ibrahim Babangida, which took power in the August 27 coup, would begin formal discussions with the fund "as soon as practicable" to ensure that a settlement is reached promptly.

He played down the differences that have kept negotiations between the Fund and Nigeria in stalemate since they began under the civilian regime of President Shehu Shagari, himself overthrown in a coup on December 31 1983.

Failure to reach a compromise with the IMF on a recovery package for the Nigerian economy, affected by low oil prices and production and external debt servicing payments that consume some 44 per cent of export revenues, has led to a sharp jump in unemployment as industry has shut down because of lack of imported inputs. Unemployment and shortages of some goods were a prime factor in bringing about last week's coup.

Governor Ahmed said that only a few "grey areas" remained to clear the way for an IMF deal, which could be expected to make available to Nigeria up to $2.5bn in balance-of-payments support in a three-year IMF extended Fund facility; some $1bn to $1.5bn in structural adjustment loans from the World Bank over three years; and the reopening of insured credit lines by Western export insurance agencies, which have officially suspended medium-term cover for Nigeria because of its failure to repay some $2bn in overdue insured trade debts.

A rescheduling of those debts would be expected to follow and the door could be opened to a rescheduling of medium and long-term debts as well (put at $12bn) although the Governor was not convinced that would be necessary.

The Governor said that only a few "grey areas" stood in the way of a $2.5bn three-year extended fund facility. Agreement would also pave the way for $1bn to $1.5bn structural adjustment loans from the World Bank over three years, as well as allow the reopening of insured credit lines by Western export credit agencies.

Overdue insured trade debts exceed $2bn and export credit agencies have insisted that rescheduling cannot take place until there is an agreement with the IMF. Such an agreement would also open the way to rescheduling of medium and long-term debt put at $12bn, although the governor was not convinced that that would be necessary.

The chief stumblingblock to

Continued on Page 18

BASF to buy Monsanto group chemical plant in UK for £75m

BY TONY JACKSON IN LONDON

BASF, the West German chemicals group, is to buy the Seal Sands chemical plant on Tyneside in the North-East of England from the U.S. group, Monsanto, for an estimated £75m ($103m). The plant makes intermediate chemicals used in making nylon and acrylic fibres.

The plant was built in the late 1970s, principally to serve Monsanto's production of nylon and acrylic in Europe. Since then, however, Monsanto has closed or sold all its European fibre operations. BASF remains a principal fibres producer.

The Seal Sands plant is one of the largest of its kind in Europe. Its sales last year were over £150m and it has an annual capacity of 200,000 tonnes of acrylonitrile, 90,090 tonnes of adiponitrile and 90,000 tonnes of hexamethylenediamine.

The value of the sale has not been disclosed. Monsanto said it was likely to add $55m, or 71 cents a share, to group earnings in the current year. However, the group said the figure, released for stock-market purposes, could not be directly related to the sale value.

The sale is part of a programme of disposals that Monsanto is undertaking to offset the cost of its $2.7bn acquisition of G.D. Searle, the U.S. pharmaceutical group, announced in July. Last month, Monsanto put up for sale its North Sea oil and gas interests, also expected to realise about £75m.

For BASF, the purchase is part of a series of big acquisitions. So far this year, the group has paid $1bn for the Inmont agroup in the U.S., which makes motor vehicle coatings and printing inks, and the carbon fibres business of Celanese Corporation of the U.S. for a further $135m.

Earlier this week, BASF had a rights isssue for DM 760m ($270m), saying only that the issue was aimed at providing for the group's future capital needs.

Through the acquisition, BASF will take over the role of Europe's biggest producer of acrylonitrile. The second-largest producer is BP, which has a half share in a 220,000-tonne plant at Cologne in West Germany and has a 70,000-tonne plant at Grangemouth in Scotland. Seal Sands and Grangemouth are the only two plants producing the chemical in Britain.

BASF has been active in the UK since 1880, and sells almost the entire range of its products in this country. However, the purchase of the Seal Sands plant provides the group with its first large-scale manufacturing site in the UK.

Seal Sands employs 440 people, with a further 270 employed by local maintenance companies.

Elders IXL set to bid for Allied Lyons

BY DAVID GOODHART IN LONDON

ELDERS IXL, the Australian brewing, farming and finance group best known for its Fosters lager, yesterday signalled its intention of launching a bid of at least £1.68bn ($2.3bn) for Allied Lyons, the British food and drink giant. If it goes ahead, it will be the biggest bid in cash terms, without allowing for inflation, for a British company.

The existing record is the £968m paid by BAT Industries for the Eagle Star insurance group at the end of 1983.

Sir Derrick Holden-Brown, chairman of Allied, responded acidly: "For this company, which is small and heavily borrowed, to think it can tilt at Allied Lyons is impudence. We will fight it all the way."

Elders has been the centre of takeover rumours surrounding Allied Lyons for several weeks. Mr John Elliott, chief executive and chairman-elect, said in London yesterday that a group of international banks, co-ordinated by Citicorp, was close to finalising conditional loan commitments which would permit Elders to fund a 250 per share offer for Allied's ordinary share capital.

However, 43-year-old Mr Elliott – who is also federal treasurer of the Australian Liberal Party – conceded that, because of Allied's far greater size, "we would like to bring in a partner to ease the financial pressure."

He would not give any details of the consortium he said he intended to lead. Discussions were continuing with four commercial, rather than banking concerns, he said.

Earlier yesterday, Elders said that it was speaking out in view of the strength of the market rumours and because of an inquiry from the Allied chairman at the end of August. "It is too early to state whether any offer will be made... but Elders expects to be in a position to clarify the situation within six weeks," it said. It also revealed that Elders now held 40.7m Allied shares, 6.02 per cent of the total, now valued at £114m.

Allied's share price – which has risen over 50p in the last week – closed 18p up yesterday at 285p, giving a market capitalisation of $1.92bn.

The group, which employs nearly 45,000 people full-time and 26,000 part-time and produces such brands as Tetley tea, Double Diamond beer and Teachers whisky, had a pre-tax profit of £219m on turnover of £3.175bn to the year ending March 2 1985.

It was formed in 1978 out of the agreed bid by Allied Breweries for J. Lyons, but has turned in slightly disappointing results in recent years, which has made it the centre of bid interest.

Mr Elliott, who told a press conference that Elders (along with its merchant bank Hill Samuel) had been researching a bid for Allied for about 15 months, said: "We tend to try to find companies we think we can manage better. Allied's beer brands are fairly mixed and a bit tired and they have been losing market share. We think we have something to contribute and the lager market is the most interesting part of the beer market."

He added that the UK would be a good launching pad into Europe.

Sir Derrick retorted that the company was a market leader in almost every field. "Skol is the second largest lager brand in the country and we have Castlemaine XXXX, Oranjeboom and Löwenbräu. There is nothing tired about them or Teachers and Harveys," he said.

Elder's turnover in the year to June 1984 was A$5.6bn (U.S.$3.85bn) and profit after tax was A$72m, which Mr Elliott yesterday predicted would rise to just over A$100m when 1985 figures are released at the end of this month. Market capitalisation on its UK share price of 157p is £399m, but Mr Elliott said that the A$1.14bn of debt to A$500m equity in 1984 had now come down to A$600m debt to A$700m equity.

The group has the biggest sales of any company in Australia and is 15th in market capitalisation. It is also the biggest brewer.

Lex, Page 16; News analysis, Page 25

MAJOR BRITISH BIDS

Year	Bidder	Target	Value £m
1983	BAT Industries	Eagle Star	968
1984	BAT Industries	Hambro Life	664
1985	Hanson Trust	SCM	650
1983	BTR	Thomas Tilling	576
1985	Burton Group	Debenhams	566
1984	STC	ICL	411
1984	Sun Alliance	Phoenix Assurance	397
1980	BP	Selection Trust	390.3
1984	Unilever	Brooke Bond	389
1984	Hanson Trust	U.S. Industries	383

Australian opposition leader replaced by deputy

By Michael Thompson-Noel in Sydney

MR ANDREW PEACOCK was ousted yesterday as leader of the Australian Liberal Party and replaced by his deputy, Mr John Howard, after a spectacular political miscalculation.

Mr Peacock had sought to demote Mr Howard after he had refused to state categorically that he would not challenge for the leadership.

In a ballot for the deputy leadership, Liberal parliamentarians voted their support for Mr Howard by 38 to 31, prompting Mr Peacock to resign. Mr Howard was then voted in as leader.

The move sent shock waves through Australia's political system because Mr Howard, a right-winger, will orchestrate far tougher opposition to Mr Bob Hawke's Labor Government and its economic policies.

Mr Howard, who was Treasurer (finance minister) under the former Liberal-National Party administration headed by Mr Malcolm Fraser, was able to take advantage of Mr Peacock's poor political showing against Mr Hawke's government.

Mr Peacock put up a bold showing in last December's general election, but has never recovered from the disastrous mistake of calling the Prime Minister a "little crook" in Parliament last year.

His performance on the economy has been weak, with Mr Peacock unable or unwilling to articulate credible conservative alternatives to Labor's economic strategy. The Liberal leader has never lost his tag as the Kooyong playboy and the sunlamp kid of Australian politics – a reference to his safe Liberal seat in Melbourne.

Bespectacled and beetle-browed, Mr Howard has never been mistaken for a playboy. He is gregarious and chirpy, but not charismatic.

In Canberra, Mr Howard was formerly known as Mr Squeaky Clean. He was the voice of the Liberal Party's entrepreneurial, non-conformist, mainstream. He is the only opposition front-bencher with the ability regularly to wrong-foot the Government.

Mr Hawke will seek to capitalise on Mr Howard's role as Treasurer in the last conservative Government, claiming that the Fraser years were marked by contractionary budgets, deficit phobia, a trebling of unemployment, high inflation, and a penchant for battering the unions.

Mr Hawke said yesterday that Mr Howard's reign as Treasurer had coincided with Australia's

Continued on Page 18

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EUROPEAN NEWS

FRENCH PREMIER PROVES ACCOMPLISHED TV PERFORMER

Fabius sets sights on presidency

BY DAVID HOUSEGO IN PARIS

M LAURENT FABIUS, the French Prime Minister, has sent a clear signal to the French electorate that he has his sights on being a candidate in the next presidential election, due in 1988.

He did so on television on Wednesday night in the programme *L'Heure de Verite* (*The Hour of Truth*); one of the few French television forums in which politicians are closely subjected to often abrasive questioning.

The programme aroused considerable curiosity, not least because French television networks have never had the same tradition as their Anglo-Saxon cousins of subjecting domestic political leaders to such on-the-air scrutiny.

Another reason is that M Fabius has himself shunned media exposure all summer. Nevertheless, his appearance suggests that he is aware that television offers him one of the few chances of rescuing his Government's popularity before the parliamentary elections next March.

Political commentators were unanimous yesterday in acclaiming his skill as a television performer. He showed that he knows how to win the confidence of his audience, to speak simply on a complicated issue, to be humourous and

M Fabius: apostle of "a certain modern pragmatism"

compassionate by turns, or to carry conviction where it is needed — *the truth must out,* he declared over the murky Greenpeace affair.

Neither President Francois Mitterrand nor former President Valery Giscard d'Estaing have ever been able to establish such immediate contact with viewers in their homes.

He came as close as a Prime Minister can to conceding that *the Socialists could be beaten* in March when he said that they faced defeat if they could not get their message across.

The right-wing *Le Figaro* newspaper triumphantly headlined its front page yesterday: "Fabius: we could be beaten . . ."

But he also left no doubt that whatever the short term horizon, he was interested in the presidency. He did not mention ideology in the broadcast, spoke little of Socialism and in referring to the loneliness of power, left out all reference to M Mitterand.

M Fabius described himself *as an apostle of a "certain* modern pragmatism." He declared that the determining features of the Left in politics were a belief in equality of opportunity in education, a concern for the welfare of others and a "certain sense of moral obligation." As commentators were quick to point out these were principles with *which most Christian Democrats* would not quarrel.

He picked out as the main economic features of the Socialist administration that inflation had fallen more sharply in France than under the Right, and that household purchasing power had risen by 4 percentage points in real terms in four years. He declined to *make rash* electoral promises but dedicated himself to working for the long-term interests of France. "I have a great ambition for our country."

All this is irritating for the opposition because it blurs the *difference* between Left and Right. M Fabius's position also leaves many in the Socialist party uneasy. They would like him to be more left-wing in his approach but they also realise that his personal popularity is one of the few cards in their hand in advance of the election.

It remains to be seen whether *M Fabius* can convince voters enough to win them back to support the Government next March. His career has been a history of turnabouts — a noisy heckler of the Right while in opposition and now an advocate of quiet government, a reflationist as Minister of the *Budget* who has become an apostle of cutting public pseding.

Within the Socialist party, he leads the group which believes the party's hopes lie in choosing a candidate for the presidential elections who will be acceptable to a majority of Frenchmen and will pursue consensus policies. His rivals as presidential candidate would be M Michel Rocard and M Jacques *Delors*, now president of the EEC Commission.

UK denies role in Greenpeace affair

By Robert Mauthner, Diplomatic Correspondent

SIR GEOFFREY HOWE, Britain's Foreign Secretary, yesterday described as "patently ridiculous" allegations in France that British intelligence services were involved in identi*fying the French secret service* agents who have been charged with the sinking of the Greenpeace flagship, Rainbow Warrior in Auckland harbour, New Zealand.

Replying to a letter from Mr George Foulkes, the opposition Labour Party foreign affairs spokesman, he said the allegations had first been circulated by the French media on the basis of either "pure fantasy" or, possibly disinformation. "The radio station which gave them currency has since apolo*gised to our embassy in Paris,*" he said.

That speculation revived, however, after M Bernard Tricot presented his official report on *the affair to the French Prime Minister* in August. M Tricot excluded no hypothesis, however improbable.

Sir Geoffrey stressed that M Tricot mentioned the possibility of the involvement of foreign intelligence services as "merely supposition." He also noted that Mr David Lange, New Zealand's Prime Minister, had rejected suggestions of British involvement as "mischievous and absurd." The subject was thus not "worthy of any form of official inquiry."

A Foreign Office spokesman later denied reports in the French Press that Sir Geoffrey and M Roland Dumas, the French Foreign Minister, had *made a deal during their* meeting in France last month relating to the Rainbow Warrior affair.

"Sir Geoffrey told M Dumas that suggestions of British involvement were pure nonsense and those assurances were accepted," the spokesman said.

Kohl pledge

Chancellor Helmut Kohl yesterday said he would pursue better ties with East Germany despite the spy scandal involving that country's agents, and was optimistic that relations would improve, Reuter reports from Bonn. Addressing Parliament, he also said he hoped for talks in Washington next month with President Ronald Reagan before the latter's summit with Mr Mikhail Gorbachev in Geneva, in November.

Flick trial resomes

The trial of two former West German economics ministers and a top industrialist on corruption charges resumed yesterday after a week's adjournment to consider a defence plea that publicity had denied them a fair hearing, Reuter reports from Bonn.

Lawyers for former minister Count Otto Lambsdorff, his predecessor, Herr Hans Friderichs, and the former general manager of the Flick concern, Herr Eberhard von Brauchitsch, withdrew objections to two lay magistrates on the bench but *repeated* that the three judges did not have enough experience with economic trials to consider the evidence.

Portugal's would-be Eurocrats strike gold

By Diana Smith in Lisbon

FOR NEARLY three months queues of young job-seekers have been forming along the narrow, elegant street where the European Economic Community has its Lisbon office.

More than 5,000 young people *have swamped the handsome* town house, collecting application forms for the job openings available to the EEC's newest members, Spain and Portugal.

So far 16,000 youngsters have applied by post or in person for these Brussels jobs, as shorthand-typists, translators and interpreters and graduate junior administration workers. They have been dazed by the prospect of salaries inconceivable until now for the Portuguese, who earn Europe's most dismal wages.

Thousands will be disappointed: Spain and Portugal together will have 1,000 senior and junior jobs when they join the EEC on January 1 next year.

Portugal will receive about 300 posts, including a government-appointed commissioner who will earn BFr 400,000 (£5,000) a month—roughly 10 times the salary of a Portuguese Cabinet minister—plus cost of living allowance, "expatriation" and family allowances and other benefits.

Other top-level and highly-paid Brussels jobs include a judge, a member of the Court of Auditors, a director-general, four or five directors, and about 15 heads of division. The latter can expect monthly salaries of about BFr 340,000—the currency in which Eurocrats are paid—which is about *20 times the wage of a senior* Portuguese civil servant.

The bidding has not yet opened for senior administrative posts, but when it does there is likely to be a small stampede in search of fabulous

Portugal's accession to the EEC has created an 'eldorado' for the select few who will win jobs in Brussels—and earn salaries worth a fortune at home.

Euro-wages and powers of decision unknown to the average Portuguese bureaucrat.

The thousands of youngsters in their bright summer clothes kept a small *battalion of EEC* Lisbon receptionists overworked for weeks, handing out and explaining application forms for junior jobs that were advertised in June in the local press. A larger battalion is now busy in Brussels sifting through the mountain of forms.

Some applicants faltered when they learned the jobs were for Brussels not Lisbon: they imagined EEC accession meant "eldorado" in Lisbon in the shape of a resident Eurocracy, earning fat Euro-salaries while living rent-free with their parents. Many lost heart, unnerved by the idea of moving to northern Europe away from a protective family structure.

Successful applicants among those who persist in their quest for one of the 200 junior and translater jobs can expect starting salaries of about BFr 95,000-BFr *127,000* a month—more than twice the monthly salary of a Portuguese Cabinet minister.

A senior secretary in the Portug*uese civil service* earns 10 times less than the most junior Brussels shorthand-typist receives as a starting salary. The Brussels typist earns the monthly equivalent of Esc 280,000 (£1,200), plus numerous allowances — the equivalent of almost a year's wage *for a* Portuguese industrial worker.

Such contrasts are almost incomprehensible to a semi-skilled Portuguese labourer trying to support of family on Esc 25,000 (£107) a month amid annual inflation of close to 20 per cent and food prices that are as high as and sometimes higher than in London.

There are no openings in Brussels for labourers, skilled *or unskilled, but a handful of* lucky Portuguese chauffeurs and a porter and messenger or two can look forward to earning what for them is a fortune.

The 1,000 Spaniards and Portuguese who will fill the jobs in Brussels will not swell the Eurocracy. Room will be made for them by offering judicious golden handshakes to existing Eurocrats.

Time will tell whether the latest southern European contingent will adapt not only to the pressure of work and stiff competition in the glass cocoon of Berlaymont where most Eurocrats work, but also to the Belgian climate.

The community's attractive wages and career opportunities *have not always* compensated for Brussels' eratic weather. Many southerners have left, their spirits dampened by exposure to long bouts of grey skies.

Portugal's future Eurocrats may follow the pattern of less-skilled Portuguese emigrants who for centuries have sought income abroad: they work willingly, live modestly and saved doggedly. When a small pile is made, they return home to live on their savings in the sun.

Italian Government may introduce real spending cuts

BY JAMES BUXTON IN ROME

THE ITALIAN Government is heavily enmeshed in discussions of a Finance Bill for 1986 which could include real cuts in spending instead of more familiar measures to raise additional revenue.

Sig Giovanni Goria, Treasury Minister, is pressing *for the* adoption of an outline plan he has drafted under which Italy's alarming state-sector deficit could be reduced to manageable levels by the end of the decade. The deficit is one of the highest in the industrial world, being equivalent to more than 13 per cent of gross domestic product (GDP) Italy's national debt will next year exceed GDP by 2 per cent.

Sig Goria is urging ministers responsible for spending to consider letting the private sector provide some services – in the field of health care, for example – and to charge the public a realistic price for services which the state provides.

He also wants to introduce new ways of controlling the spending of local authorities, which are almost entirely funded by the state. One idea is to give them greater power to raise local taxes, in order to imbue them with a greater sense of fiscal responsibility.

Sig Bettino Craxi, whose Government must present the 1986 budget and finance Bill to parliament by September 30, appears to show some sympathy for Sig Goria's ideas. He told a Cabinet meeting on Wednesday night: "We must urgently establish from now on new rules to eliminate wasteful spending and, where possible, to bring the prices charged for services closer to their cost."

Sig Costante Degan, Minister of Health, has given little indication of how stringently he intends to apply these principles to his own department, considered one of the biggest offenders in terms of waste.

However, Sig Claudio Signorile, Transport Minister, says that he intends to cut sharply *subsidised* train fares for large categories of people including students and commuters, and also to close some 1,000 kilometres of redundant railway line. Italy's state railways recover only about 20 per cent of their costs from traffic revenue.

Ministers seem broadly to agree with Sig Craxi that although there should be reform of the structure of personal taxation, fiscal pressure (the general level of taxation as a proportion of GDP – currently at *about 45 per cent) should* not increase. This makes it yet more important to control spending.

The Craxi Government is conscious that with no major elections on the calendar for another three years it could now embark on serious and potentially unpopular reforms. Such reforms have been hard even to contemplate in the previous two years of the Government's life when each summer has brought a major electoral test – the European election in 1984 and na*tionwide local elections this year.*

Romania sets penalties, rewards for workers

BY PATRICK BLUM IN VIENNA

ROMANIA is introducing financial incentives and penalties, including the loss of up to 50 per cent of basic pay, to encourage workers, managers and ministers to meet their plan targets for this year, the Romanian newsagency Agerpres reported.

The measures are intended to help to overcome serious shortfalls in planned production this year. "The achievements of the first eight months of this year were not up to existing possibilities," a report of the Communist Party's executive committee said. The committee endorsed the report and "requested that most resolute action" should be taken to implement the measures.

A *decree published yesterday* introduces bonuses of up to 20 per cent of basic pay in proportion to additional production for workers who exceed their plan targets. Workers in the mining industry are offered bonuses of only 10 per cent of basic pay. Those who fail to meet planned targets will face cuts of up to 50 per cent in their basic pay.

The measures will be effective until the end of this year and be applied equally to ministers and deputy ministers reponsible for the various sectors of the economy, Agerpres said.

Romania was one of the East bloc countries most affected by the harsh winter, which caused severe disruptions in industrial production and electricity output. Since last winter, Mr Nicolae Ceausescu, Romania's leader, has made repeated calls for greater efficiency and *increases in production, especially* in export-oriented industries. Western diplomats in Bucharest believe that the latest measures are part of a continuing drive to improve productivity.

Danish airline orders four Fokker prop-jets

BY LAURA RAUN IN AMSTERDAM

FOKKER, the Dutch aerospace company, has received an order for four Fokker 50 prop-jets and an order option on four more from Maersk Air, the Danish regional airline. The contract is believed to be worth more than $50m if all options are exercised.

The *order is another boost for the* new, short-haul, 50-seat Fokker 50, the first of which is to be delivered late next year. Total sales of the Fokker 50, which is a successor to *the F-27, now stand at 36* to five operators in five countries, plus 10 options.

Maersk Air will take delivery of its *new aircraft* in the autumn of 1987 and use them to replace three De Havilland DHC-7s on domestic Danish routes operated under agreement with Danair and on Maersk Air's own services from Billund to London. Maersk is a member of the Danair consortium that comprises SAS, Cimber and Maersk.

Fokker's most direct competition for its Fokker 50 comes from the British Aerospace ATP *and the* Aerospatiale ATR 42. Maersk Air chose the Fokker aircraft because of its low fuel consumption and low noise level, while its cruise speed is about 25 *per cent faster than for the* DHC-7s, according to Fokker.

The Dutch aircraft company unveiled the Fokker 50 in November 1983 along with the Fokker 100, a *100-seat aircraft* that is a successor to the F-28, in a bid to preserve Fokker's leading market share in the short to medium-haul segments.

Philips chief repeats warning to Japanese

BY OUR AMSTERDAM CORRESPONDENT

MR Wisse Dekker, president of Philips, the Dutch electronics group, warned yesterday that Japan's *enormous trade surplus* and undervalued yen "endanger the stability of the world economic system" and again urged Japan to open its markets to foreigners.

Speaking at a world trade conference in Amsterdam, Mr Dekker reiterated that if Japan failed to make effective trade concessions, the U.S. might resort to *protectionist* measures of its own. If the Japanese did open their markets, however, the Europeans should ensure that they benefited as much as the Americans, he said.

He brushed aside recent Japanese promises of cutting tariffs on 1,800 products, saying "This constitutes only a measure related to the visible tip of the iceberg. If Japan expects to benefit from the free trading system built up by Western nations, it cannot expect its own traditions to be untouched by the experience."

For some months now, Mr Dekker has waged a vituperative campaign against the Japanese, accusing them of unfairly *closing their* home market to foreign products while aggressively invading Europe and the U.S. with Japanese goods. Philips is the largest electronics company in Europe and always has relied heavily on overseas markets for its growth because of the small Dutch market.

Swedish telecoms deal

ERICSSON, the Swedish telecommunications and systems group, has won a $22.5m order from the Korea Telecommunications Authority for its AXE digital telephone exchange equipment, reports David Brown in Stockholm.

It is the third order within the terms of an outline agreement, signed in 1983, covering the eventual delivery of 755,000

The order involves 17 main EXE exchanges with some 150 remote subscriber units to be installed around the country.

Ericsson will deliver Swedish-produced equipment and components, for manufacturers in South Korea at a new factory built by Otelco (Oriental Telecommunications Company) its joint venture with the Oriental Precision electronics company of Korea.

Terrorists blast Paris companies

By Paul Betts in Paris

ACTION DIRECTE, the extreme left-wing French terrorist group linked to West Germany's Red Army Faction, claimed responsibility yesterday for four bomb attacks which seriously damaged buildings of large French companies in the Paris area.

It said they were bombed because the companies had business interests in South *Africa. Bombs were set* off against buildings belonging to the state-owned Renault car group, the nationalised Pechiney aluminium company, the private Spie-Batignolles construction group, and ATIC, the French coal importing agency. There were no serious injuries.

The group has claimed responsibility for *12* terrorist attacks in Paris so far this year. Last February, it murdered General René Audran, who was in charge of arms sales at the *Defence Ministry. Last month,* it claimed a note in the Red Army Faction's attack on the U.S. air force base in Frankfurt where two people were killed and 20 injured.

In its statement yesterday, Action Directe said: "It is in the ministries of Paris that the blacks begin to die . . ." it also *associated the troubles of* France's *Pacific* territory of New Caledonia with the South African situation.

New Caledonia clash

About 20 people, most of them police, were injured yesterday in clashes between para-military *forces and separatists* barricading roads in the French territory of New Caledonia, Reuter reports from Noumea.

Comecon N-power programme slowed by technical problems

BY LESLIE COLITT IN BERLIN

THE HEAD of the Comecon *bloc's Department of Nuclear* Energy has acknowledged that the ambitious nuclear energy programme of the Soviet Union and its six small East European partners has had to be scaled down because of "technical difficulties."

Mr Alexander Panasenko said in an interview in the (East) *Berliner Zeitung that the "great* hopes" that rested on the nuclear programme could only be realised "step by step" because of the problems.

At the end of last year, he said, the bloc's nuclear power stations had an installed capacity of 30,000 Mw producing some 8 per cent of total electricity. This was well below the proportion in large Western countries, although he pointed out it would be "considerably greater" by the year 2000.

Another Soviet expert, Dr Anatoli Subkov, wrote recently in a Prague publication that by 1990 Comecon's nuclear power plants would have an installed *capacity of 100,000 Mw.* This would represent an enormous expansion in the light of the problems recently encountered.

The experience of one highly developed Comecon country, Czechoslovakia, shows it has faced many of the problems in constructing nuclear power stations as has the West. Completion of the Dukovany *and Jaslovske Bohunice* nuclear stations has probably been delayed by more than a year, entailing reversal of plans to reduce lignite coal production which has become extremely costly.

Unlike the West where similar delays occurred, alternative fuel supplies in Eastern Europe, such as oil from the Soviet Union and domestic coal, remain in chronic short supply.

Despite these delays, Czechoslovakia still hopes to produce some 10,300 *Mw* of nuclear power, or half of its generated electricity, by the turn of the century.

East Germany, which also has an ambitious nuclear power programme, generated 12 per cent of its electricity from nuclear stations in 1980. But this declined to 11.7 per cent in 1983 and to 10.7 per cent

THE SOVIET UNION will deliver only about 6m tonnes of crude oil to Finland this year instead of the scheduled amount of up to 8m, the state-owned oil company Neste said yesterday, Reuter reports from Helsinki. It said Soviet suppliers blamed production difficulties, it said.

Bonn commits funds to Eureka

THE WEST GERMAN Government will spend between DM 1bn (£255m) and DM 2bn on the European Eureka high-technology project, government officials said yesterday, AP reports from Bonn.

A cabinet subcommittee chaired by Chancellor Helmut *Kohl* decided on Wednesday evening to commit the money. The other members of the committee are Herr Hans-Dietrich Genscher, the Foreign Minister, *Herr Heinz Riesenhuber, the* Research Minister, and Herr Gerhard Stoltenberg, the Finance Minister.

The money will be provided through credits to West German companies which decide to participate in Eureka. The project, envisaged as a pooling of European high technology for civilian use, is still in the planning stage.

Eureka was proposed by the French Government *earlier* this year as an alternative to participation in the U.S. Strategic Defence Initiative, SDI, the controversial space-based missile *defence programme. France* has committed itself to a FFr 1bn (£84m) credit for Eureaka beginning next year.

The Bonn Government has not decided whether to back financially West German companies which may want SDI contracts. A team of high-level officials is in Washington this week discussing the project.

President Francois Mitterrand has flatly rejected French participation *in SDI research*, but would like to see Europeans keep up with related technology through Eureka.

Herr Kohl will host the *second Eureka conference of* foreign and research ministers from 17 European countries in Hanover in early November.

France eases companies currency rule

PARIS – The French Economics Ministry announced a moderate relaxation yesterday of currency controls pertaining to foreign investment by domestic companies. AP-DJ reports.

The new measure effectively raises the percentage of foreign investment costs that can be covered in French francs. Under previous legislation, French companies could use francs to pay for half of their investments inside the EEC, and 25 per cent of investments outside the EEC. The new rule establishes a uniform 50 per cent ceiling for investments in all countries.

Companies with annual revenue of less than FFr 350m ($40m) will be free to use francs to cover all of their foreign investment needs.

The ministry indicated last week that a minor easing of currency controls was imminent. It said yesterday that the latest move was favoured by the recent improvement in France's current account.

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Mark Meredith, recently in Prague, looks at a successful venture

Czech farm breaks new ground

SUCCESS STORIES in Czechoslovakia are looked on with a mixture of admiration and suspicion.

Just how, some Czechoslovaks wonder, has the Slusovice collective farm managed to produce about 10 times the *national farming* average? Why has it even been allowed to break new ground and develop thriving sidelines in computer and biotechnology production as well as *run a hugely popular horse race* track?

The answer seems to be that Czechoslovakia's highly conservative Communist leadership sees the achievements and even the reforms of this dynamic agricultural co-operative not just as acceptable, but as setting a good example for other industries let alone other farms.

Busloads of curious Czechoslovaks visit Slusovice, near Gottwaldov, about 220 miles east of Prague, to see something that is very different and that really works.

They might hear how the new cowsheds were built in what must be a record of three months, or how a team of Slusovice workers were *sent to Prague for a construction* contract which needed to be done properly and in a hurry. The farm football team has aspirations for the premier league and the co-operative *farm* recently provided the computerised results service seen by viewers for a big televised athletics meeting.

The passengers will hope to get at least a glimpse of Jawan, the Slusovice-bred horse which this year won the Pardobice steeplechase, one of the leading events in the Czechoslovak racing calendar.

Mr Frantisek Cuba, the thrusting chairman, and his co-operative are talked about because they have been ready to take risks. Using the base of a big farm, they have developed an expanding range of farm-related products and services. Output today is over 2.6bn Korunas ($382.3m) and growth continues at about 25 to 30 per cent a year, according to management figures.

"Someone has to be in front," says Dr Frantisek Trnka, the economic director of Slusovice. "There should be 100 Slusovices in Czechoslovakia as it has proved to be a most effective way of transferring scientific and technical information into new areas."

The farm is big by Western standards. It has 5,500 hectares and employs 3,200 people. Management is divided into six areas: the agricultural division has provoked the jeal*ousy of other farms by its production* records. The agricultural machinery division, besides operating and renting out the farm's fleet of equipment like combine harvesters, *has also developed new lines of* equipment under co-operation agreements with the West. It assembles American Hesston harvesters in exchange for Czechoslovak spare parts.

Two divisions straddle agrichemical production and biotechnology where trading contacts have been made with Western companies which could bring in some of the hard currency needed for specialist investment.

At a factory next to the modern racecourse the co-operative produces 1,000 IBM-compatible computers a year. Mr Miroslav Kubik, the plant director, says he plans to accelerate production to meet a predicted national demand for microcomputers of this type of 20,000 a year.

By diversifying, Slusovice could chance a run-in with a national ministry, which wants to develop the same product its own way and in its own time. But the Communist leadership seems prepared to accept Mr Cuba's method of filling gaps in the economy by simply cutting across the system to make the goods themselves.

"Whoever produces the goods should be the one who does it better, cheaper and faster," says Dr Trnka.

The farm management system would fit in well with many big Western conglomerates. The man*agers of the various factories which* operate as autonomous units – virtually profit centres – are assessed on a point system from one to five.

This covers the manager's achievements in introducing innovations, the day to day running and output and the working conditions of employees.

Managers who fall below standard *over two of the quarterly* reviews are and have been removed. They are not sent *to* drive tractors but might be shifted to another less demanding management job not geared so much to *performance*.

The most common question about Slusovice is that it cannot be politically correct to be seen to buck the planned economy *system* given the *heavy political restraints in force* since the Soviet-led invasion of Czechoslovakia which ended the reforms initiated under former party leader Alexander Dubcek.

But Slusovice's management insists that it is all perfectly correct. This is not an island of capitalism, despite the incentives to workers.

"We are handing over responsibility to workers under Socialist control," Dr Trnka explains.

Put simply we want every worker to have sufficient space for initiative and this should bring him personal gain. *His rewards should* depend on his results."

For those still in doubt about the political purity this co-operative farm, a team from the Communits *party's institute* for Marxism-Leninism has given Slusovice a clean bill of health after paying a visit to the farm.

Moderate leader may free Sikhs from terrorism

BY JOHN ELLIOTT IN JULLUNDUR, PUNJAB

"I STRONGLY condemn violence: It is never justified. We want peace in Punjab," says Sant Ajit Singh, a new religious and political Sikh leader who has emerged from relative obscurity since the murder last month of Sant Harchand Singh Longowal, moderate president of the Sikh's Akali.

Ajit Singh, aged 44, has the youth and intelligence to inherit the leadership of restive Sikh youth from the leading extremist Sant Jarnail Singh Bhindranwale, who was killed in the Amritsar Golden Temple battle last year, as well as the moderate mantle of Sant Longowal.

Ajit Singh's words reflect the mood of many Sikhs in Punjab who are tired of violence. But his words risk being drowned out by Sikh terrorists who want to disrupt elections in the state by killing local party workers, election candidates and national political figures.

The campaign for Punjab's assembly and national parliamentary seats have started and terrorist activity has been building up. A leading politician was assassinated in Delhi on Wednesday and other killings and attacks have occurred in Punjab. Candidates are a prime target because if one is killed, the election will be cancelled in his constituency.

Random shooting

"There is going to be trouble and we are preparing for it," said senior superintendant S. Singh Virk, who heads the police force in the tense central Punjab district of Jullundur. Three civilians sitting by the roadside a few miles from his headquarters had been shot and injured by terrorists the previous night.

"We can protect candidates and other known targets but we can't prevent that sort of shooting at random. Last night's victims were "no way prime targets," said Mr Virk. His district police force of 2,000 is being more than doubled in size, with reinforcements from other states.

Akali Dal political leaders are roaring round Punjab in small convoys of jeeps and old Morris Oxford cars. Sten guns carried by police and civilian bodyguards sometimes point menacingly through car windows, but more often they are carried listlessly by men with little training and poor concentration.

Candidates are being given two police guards and can have up to three more armed civilian guards. Security arrangements are being made for candidates' rural tours and for public meetings which, in India, can attract tens of thousands of people.

The lines are being drawn for what many people hope will be the last battle of the Punjab. It will be waged till polling day on September 25 between leading Sikh political and religious figures who want peace and are backed by security forces, and hard-line terrorists, who sometimes have the support of militant Sikh youth.

But the Akali Dal leaders, presumably fearing the terrorists, are cautious about openly and explicitly condemning specific acts of violence.

Mr Balwant Singh, one of the top three leaders of the Akali Dal and a former Punjab Finance Minister, said: "We are condemning violence and we are following the policies of Sant Longowal." But he would not be drawn into discussion on specific cases, nor on the activities of the late Sant Bhindranwale.

Ajit Singh, speaking at a Guduwara (Sikh temple) he has

built outside the small town of Ropa, refused to be drawn into condemning specific acts of violence or Sant Bhindranwale, who he resembles in looks but not in temperament.

Sitting on a string bed in a small room darkened against the hot monsoon sun, Ajit Singh said he understood the religious motive of the Sikh assassin who killed Mrs Indira Gandhi last year.

He did not condone it, however, and added: "But we are against violence."

Ajit Singh blames the Congress (I) Party, India's ruling party, for being both directly and indirectly responsible for the violence, citing as evidence a recent alleged confession by a leading terrorist who said he had links with the Punjab president of the Congress (I).

The Akali Dal's manifesto will be published soon. It will blame Congress (I) for the violence, maybe criticise Mrs Gandhi for not reaching a settlement earlier, and praise Sant Longowal for reaching the recent deal with Mr Rajiv Gandhi, the Prime Minister.

The praise will be qualified, however, because many parts of the accord have yet to be implemented, so the Akali Dal will argue that it alone, and not Congress (I), must be in power to ensure that the deal goes through as Sant Longowal would have wanted.

So would there then be peace in Punjab? "Of course, after winning we will form a government to try to release the Sikh youth still in jail. The youth have been misguided by the terrorists. The main problem is youth unemployment, so we must find them jobs," says Ajit Singh.

Elderly

Mr Balwant Singh, who is preparing the manifesto, says one way of curbing unemployment will be to force all companies in the Punjab to employ at least 75 per cent of their labour locally instead of hiring labour at perhaps half the price from the neighbouring poor states of Uttar Pradesh and Bihar.

Sant Ajit Singh could fill a gap at the top of the Akali Dal. Most of the party's leaders are elderly, and tainted by past political and terrorist associations or by corruption. Mr Balwant Singh, a rich Jullundur businessman with business interests in the Middle East, is one of very few with a horizon beyond the Sikh religion and Akali politics.

He encouraged Sant Longowal to reach agreement with Mr Gandhi last month and now, as something of a king maker, says of Ajit Singh: "There is potential in him for future leadership."

If the Akali Dal wins the election, however, he must succeed to that post. Maybe then, some of the traditons of the quiet-living local Sikh priest-cum-politician might be given more prominence in Punjabi politics, terrorists permitting.

400 arrested in Punjab

BY JOHN ELLIOTT

MORE than 400 people were arrested yesterday in the northern Indian state of Punjab as police and security forces started a major clampdown on the eve of the state's election campaign which starts in earnest today.

A total of 1,350 people are believed to be on police lists for arrest including up to 200 hardcore terrorists, nearly 200 Sikh students and approaching 1,000 people suspected of causing communal unrest.

The action shows the determination of the Indian Government not to allow the agreements it has struck with leading Sikhs on the Punjab's problems to be upset by widespread violence before polling day on September 25. Violence continued in various parts of Punjab yesterday after deaths earlier in the week.

● Indian Prime Minister Rajiv Gandhi will visit West Germany in October at the invitation of Chancellor Helmut Kohl, officials said in Bonn yesterday, AP reports.

Mr Gandhi will stop in West Germany as part of a three-nation European tour that will also take him to Britain and the Netherlands, according to the Indian PTI news agency.

Afghan counter-attack

AFGHAN guerrillas said yesterday they had launched a counter-offensive to a Soviet thrust in Afghanistan's south-eastern province of Paktia as wounded rebels continued to pour into neighbouring Pakistan, Reuter reports from Islamabad.

A guerrilla leader said Soviet troops had been pushed back in some areas of Paktia where they began a major bid last month to seal off guerrilla supply routes from Pakistan.

Five thousand veteran Mujahideen (Islamic warriors) had been thrown into the counter-offensive launched on Sunday, Hezb-e-Islami guerrilla leader Mr Gulbuddin Hekmatyar said yesterday on his return from the battle zone.

But the guerrillas' Mujahid Press Agency quoted Mr Hekmatyar as saying in the Pakistani border town of Trimangal that a large number of mines sown by Soviet forces were posing problems for the guerrillas.

Hundreds of wounded guerrillas have arrived in Peshawar, capital of Pakistan's North-west Frontier Province, where an emergency hospital is due to arrive today from Norway.

Coloured mob attacks Cape Town white area

By Anthony Robinson in Johannesburg

GEN MAGNUS MALAN, the South African Minister of Defence and Mr Louis le Grange, Minister of Law and Order flew to Cape Town yesterday after a night of violence in which a Coloured mob attacked a white suburb and residents reported gun battles throughout the night in scattered areas of the city's southern suburbs.

White residents in the suburb of Kraaifontein fired shotguns and pistols to beat off a crowd of around 150 Coloured (mixed race), youths who threw stones and petrol bombs at houses. A similar incident was reported from the Amalinda suburb of East London, 400 kms away in the Eastern Cape.

Main roads running through the closely intermingled Coloured and white suburbs have been closed after rioting crowds built barricades of burning tyres and stoned passing vehicles. Cars taking the main road from the airport to the city were also stoned and travellers reported that rioters had been throwing three trunks on to passing vehicles from bridges over the road.

Coloured and black townships in the Western Cape erupted 10 days ago after police arrested the Rev Allan Boesak, patron and leading figure in the United Democratic Front (UDF), and forcibly broke up a planned march on Pollsmoor Prison to call for the release of jailed African National Congress (ANC) leader, Mr Nelson Mandela.

Now the violence has spread to the white suburbs which, given the topography of the city, crowded into a narrow strip between Table Mountain and the sea, are intermingled with designated Coloured areas and linked by the same road system. Local residents reported that police and army units used parachute flares to illuminate the worst hit townships such as Athlone, Belgravia and Retreat, where running battles with the security forces continued throughout Wednesday night.

The home of a Coloured Labour MP, Mrs Joy Pilcher, was also destroyed by a petrol bomb attack in the Coloured suburb of Belhar where a 19-year-old youth was also shot dead by police after a bus was stoned and set alight. Another three were killed by police in Elsies River. The death toll in 10 days of rioting in the Western Cape now stands at 35.

Violence was also reported from many other areas of the country including Natal where the house of Prof. Fatima Meer, a leading UDF activist, was firebombed in the Sydenham suburb of Durban while a similar attack also slightly damaged the house of the mayor of the black township of Umlazi, Mr James Ndlovu.

As the violence continued to deepen and spread into white areas gunshops reported they were running out of some kinds of ammunition for the estimated 13m guns held legally by whites, and Mr Adrian Vlock, the Deputy Minister for Law and Order, warned that the state could not be responsible for the security of all South Africa's peoples at all times.

Despite the use of the army in support of the 46,000 strong South African police force security forces have been severely stretched by the unprecedented scale and extent of violent unrest. Opening the national conference of the Security Association of South Africa in Johannesburg, Mr Vlock called on South Africans to take on the responsibility to look after themselves.

Recent weeks have already seen the emergence of armed vigilante groups of Indians during and after the black-Indian community clashes in Durban and the latest incidents of attacks on white suburbs point to a similar development among heavily armed and increasingly nervous whites.

Ugandan peace talks suspended

UGANDAN peace talks between the new military administration and the National Resistance Army (NRA), the country's main guerrilla group, were suspended yesterday in apparent deadlock, Reuter reports from Nairobi.

The official Voice of Kenya radio quoted Kenyan President Daniel Arap Moi, who is chairing the talks, as saying the Ugandan government delegation had asked for an indefinite adjournment for consultations at home.

Yesterday's session lasted barely one-and-a-half hours compared with six hours of intensive discussions yesterday and delegates appeared to be less optimistic than last night.

It is the second time the talks have been suspended since they began on August 26.

Lutfi expected to tighten financial controls

BY TONY WALKER IN CAIRO

THE APPOINTMENT of a new economically-oriented Prime Minister in Egypt signals a more rigorous approach to Government spending and tax collection in the face of the country's growing financial problems. Dr Ali Lutfi, 49, has been plucked from outside the Government at a critical moment.

Egypt has a reputation for zealousness on questions such as tax avoidance, and Dr Lutfi, when he was Finance Minister between 1978 and 1980 sought to tighten taxation procedures in a country where it has been estimated that less than one third of citizens pay personal income tax.

The new Prime Minister is a significant figure in the ruling National Democratic Party, heading its economic and financial affairs committee which recently criticised the Government over its lack of progress in reducing the subsidies on foodstuffs and services which are an increasing drain on the budget.

Dr Lutfi gained his doctorate in economic planning at Lausanne University in Switzerland and is regarded as a determined individual when it comes to pushing ahead with policies to which he is personally committed. Initial indications suggest that there will not be significant changes in the economy, planning, petroleum, agriculture and finance ministers. But Dr Lutfi is certain to play a more interventionist role.

Economic Ministers are additionally expected to play a stronger part in Government as Egypt tries to deal with its growing problems with the balance of payments and a foreign debt of $31bn which, according to the IMF, has reached worrying proportions.

According to the semi-official Al Ahram newspaper, Economic Ministers are expected to be appointed as deputies to the Prime Minister. They include Dr Kamal Ganzouri, the Planning Minister, and Dr Youssef Wali, the Minister of Agriculture, who is also tipped to become secretary-general of the NDP. Dr Abdel Meguid the Foreign Minister, and Field Marshal Abu Ghazala the Defence Minister, are also named as likely deputies.

Dr Lutfi's appointment was regarded favourably in business circles, although some businessmen wondered whether he would be sufficiently innovative.

The new Prime Minister's published views suggest that he is an austere figure. Stories, perhaps apocryphal, are told of his time as Finance Minister when he is said to have noted the licence numbers of expensive cars in Cairo, and to have had his office check whether their owners were paying taxes.

The sudden resignation of Gen Kamal Hassan Ali after just one year as Prime Minister was something of a surprise, although he has been in indifferent health, with an arthritic condition. He has asked on several occasions to be allowed to retire but has been prevailed on to stay in the interests of continuity. Gen Ali said in his resignation statement, his departure gave an opportunity to a younger generation. The replacement of Gen Ali by a civilian was generally approved.

No change in Egyptian foreign policy is expected under the new Prime Minister who is regarded as pro-Western. Major investment decisions, such as whether to go ahead with a proposed car and component manufacturing scheme in partnership with General Motors and a nuclear power station, on the Mediterranean coast, are also certain to be deferred until the new Government settles down.

Franjieh urges political reform

BY NORA BOUSTANY IN BEIRUT

MR SULEIMAN FRANJIEH, a former Lebanese President, yesterday proposed a political reform package for adjusting Lebanon's outdated system of representation, but his proposals fell short of Moslem demands for a wider share in the power structure.

Mr Franjieh, a Christian Maronite, suggested that the presidency, premiership and house speakership, the top three posts in Lebanon, remain in the hands of a Christian Maronite, a Sunni Moslem and a Shi'ite Moslem, consecutively. He rejected demands by the Shi'ite Moslems, Lebanon's largest single sect, for transforming Lebanon into one electoral entity and rotating the presidency among the six major sects.

"Too many cooks would spoil the broth," he said. "That is why I insist Lebanon be governed by one head," Mr Franjieh declared at a press conference in his summer home at Ehden. He called for the creation of a special body to try presidents but did not repeat demands for the ousting of President Amin Gemayel.

Mr Gemayel: to Bonn

Mr Gemayel flew to Bonn yesterday, for a three-day official visit to West Germany. The Lebanese head of state is expected to discuss leading political issues and technical as well as financial assistance with his West German hosts. Herr Hans Dietrich Genscher, the West German Foreign Minister, held a round of talks with Syrian officials in Damascus last week during which the Lebanese crisis was discussed.

Syria is trying to sponsor inter-Lebanese reconciliation efforts in Lebanon. Mr Franjieh, a close ally of the Damascus regime, sent a copy of his blueprint for reforms to Syrian President Hafez Assad on Wednesday. Mr Franjieh repeated earlier calls for 50-50 Moslem-Christian representation in the Lebanese Parliament. Currently seats are parcelled out according to a 6-5 ratio with an edge for Lebanon's Christian minority. The former president said his reform package was negotiable.

Banks unenthusiastic over Israel's New Shekel

BY LYNNE RICHARDSON IN TEL AVIV

ISRAEL'S New Shekel, equalling 1,000 of the old variety, arrived yesterday with a whimper after the trumpeting heralding its approach.

Few banks had any of the new currency in stock and those who did were not keen to use the new note and coin which will be legal tender alongside the old shekel for a year.

One bank clerk complained that the reintroduction of the agora (one hundredth of a shekel) in denominations of one, five, ten and 50 agorot coins will slow down her job. "Your hands get dirtier," she added.

The new currency was deemed necessary because inflation had spiralled since the introduction of the old shekel in February 1980. Previously, Israel's currency was the lira, or pound, introduced with the creation of the state in 1948 and also divided into 100 agorot.

Between 1979 and September 1983 the inflation rate reached around 100 to 130 per cent per annum until it rocketed to an all-time high of 444.9 per cent for 1984, reaching an annualised rate of nearly 1,000 per cent in September last year. The Government's economic recovery programme has been designed to bring this into line, so far with moderate success.

The New Shekel may relieve the burden for some but tourists are likely to be very confused. The new and old notes will look identical save for the numbers —10,000 becomes 10. Only one new note has been introduced NS 50, worth U.S.$33.25 at its inception.

Walter Ellis adds from Tel Aviv: A 28-year-old Israeli civilian was stabbed in the back yesterday by an unknown Arab assailant as he stopped to deliver petrol to a garage in the occupied Gaza Strip.

WORLD TRADE NEWS

Canada urged to free trade with U.S. in 10 years

BY BERNARD SIMON IN TORONTO

THE CANADIAN Governmen has been urged to move towards free trade with the U.S. over 10 years, starting in 1987 in a report on Canada's economic prospects.

The Royal Commission on the Economic Union and Development Prospects for Canada, headed by Mr Donald MacDonald, former Finance Minister, argues that domestic manufacturers are generally stronger and more competitive than they are perceived to be, and it questions widespread concern that Canadian industry will be swamped by more efficientU.S. producers.

The Commission, appointed by former Prime Minister Pierre Trudeau, has spent almost three years examining Canada's long term economic potential. Besides trade liberalisation with the U.S., it calls for sweeping changes in the social security system, including the replacement of welfare payments and most unemployment benefits by a guaranteed minimum income.

The Commission suggests more relaxed monetary policies to cut the country's double digit unemployment rate, with voluntary wage and price controls

The issue of free trade with the U.S. is expected to dominate political debate in Canada in coming months with the Federal Government due to unveil its policy on trade negotiations with Washington within the next few weeks. Judging by recent ministerial statements, Ottawa will take a more cautious approach than the one urged by the MacDonald Commission. Pressing for lower trade barriers in many areas but not completely free trade.

The Commission says progress towards free trade should be accompanied by a number of interim measures to protect Canada's cultural identify, and to cushion domestic industries against greater competition. It suggests retraining workers in sectors threatened by free trade.

Canada and the U.S. are each other's largest trading partners with two way flows totalling C$150bn (£79.4bn) in 1984. The push for free trade, which Mr MacDonald has in the past called a "leap of faith," has come mainly from the Canadian side amid concern that protectionist measures in the U.S. will curb access to many of Canada's key foreign markets.

Gatt chairman set to call special session

BY WILLIAM DULLFORCE IN GENEVA

INVITATIONS to a special session of the contracting parties of the General Agreement on Tariffs and Trade (Gatt) are expected to be issued in Monday by Sr Felipe Jaramillo, the Colombian chairman of Gatt.

The session is being held against the background of serious differences between some Gatt members. It is hoped that the meeting will prepare the ground for a new round of international trade talks next year.

Informal consultations in Geneva this week have failed to resolve the differences between the industrialised countries and some developing nations over the substance and priorities of the talks. In particular, Brazil and India remain opposed to negotiating rules for trade in services within the context of the new round.

Since 62 of Gatt's 90 members have backed the U.S. request for a special session to decide on the trade talks, even those objecting to the form of negotiations sought by the industrialised countries recognise that Sr Jaramillo must convene the contracting parties.

The U.S. called for the session in an unprecedented move to break the deadlock reached in the Gatt council in July, when a small group of developing countries, led by Brazil and India, blocked a proposal to call a meeting of senior officials to prepare for the new round.

China and UK fail to agree on air rights

By Robert Thomson in Peking

BRITISH AND Chinese officials have failed to settle the question of airline rights on the Hong Kong to China route in bilateral talks which concluded in Peking yesterday.

Officially, the discussions, lasting four days, covered the state of air services between Britain and China, but the point of contention was the Hong Kong route, which is weighted heavily in favour of the Chinese.

The Civil Aviation Administration of China (CAAC) operates an average of 59 flights weekly into Hong Kong from Chinese cities, while the two British carriers — British Airways and Cathay Pacific Airways—operate an average of seven from Hong Kong into China.

A joint statement was released, saying that the two sides would resume discussions "as soon as possible."

The problem has become complicated by Dragonair's application to fly 21 charter flights a week to Peking and Shanghai from Hong Kong. The application was rejected by Hong Kong authorities. Dragonair receives political support from the Chinese Government.

Last week, the Chinese Government, without warning, withdrew permission for Cathay Pacific to increase its charter flights to Peking.

Japan imposes S. Africa curbs

JAPAN'S Ministry of International Trade and Industry (Miti) is to tighten its acceptance of export insurance applications for shipments to South Africa from today, Reuter reports from Tokyo.

Miti designated South Africa as a "specified country," thus requiring shipment documents to be supplied to the Ministry instead of foreign exchange banks for examination.

Countries delaying, suspending and failing to fulfil payments are usually classified into this category, the officials said.

The Ministry has also decided to raise export insurance premiums on shipments to South Africa

Moves to limit U.S. imports cause grave concern in Thailand and Indonesia

Asean gears up for battle on textiles

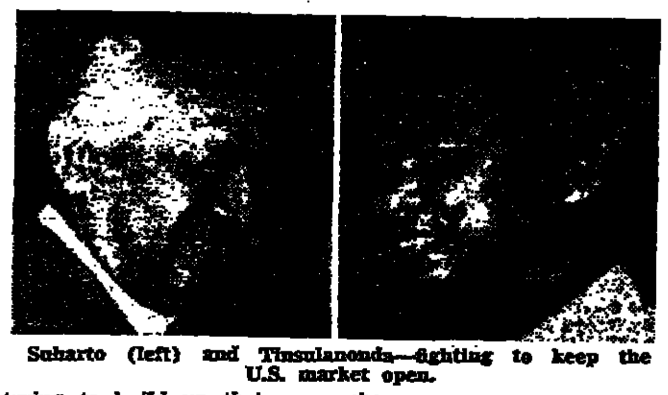
BY KIERAN COOKE IN JAKARTA, BOONSONG K'THANA IN BANGKOK AND CHRIS SHERWELL IN JAKARTA

WHEN THAILAND'S Prime Minister, General Prem Tinsulanonda, meets President Suharto of Indonesia in Jakarta on Monday, most public attention will focus on what the two leaders say on the vexed question of Kampuchea. But another shared problem—U.S. Congressional efforts to limit American textile imports—is doing much more to make them look like soldiers digging in for battle.

Only last month, a Congressional delegation visiting Bangkok was warned by the six-member Association of South East Asian Nations (Asean)—Thailand, Indonesia, Singapore, Malaysia, the Philippines and Brunei—that the so-called "Jenkins Bill" would, if passed, do "irreparable damage to the region's textile industry.

Monday's meeting is likely to see this stand reinforced by the two most-affected Asean textile manufacturers, who happen also to be vital U.S. strategic allies. Mr George Shultz, U.S. Secretary of State, was reported to have been told in Bangkok in July, a front-line state like Thailand could not so effectively preserve peace in South-East Asia if its economy were being undermined by its allies.

For the Reagan Administration, which is opposed to the Jenkins Bill anyway this kind of talk is doubly galling. Thailand and Indonesia not only display protectionist tendencies in



Suharto (left) and Tinsulanonda—fighting to keep the U.S. market open.

trying to build up their own industries — some recently-increased Thai import duties on U.S. products, like wheat and cotton, clearly irritated Washington—they have also seen their textile exports to the U.S. expand enormously

Indonesia recently concluded a compromise bilateral agreement with the U.S. over textile quotas after a lengthy wrangle, while the Asean countries concluded another battle earlier this year over U.S. textile industry allegations that they unfairly subsidised their exports.

Why the U.S. should be unhappy—and the Bangkok and Jakarta Governments concerned—is nevertheless clear from some of the figures published during the latest noisy exchanges.

Indonesia, the world's fifth largest nation (pop: 160m), has seen textile exports rise from a mere $3m 10 years ago to $350m (£254m) in 1984, making the sector a key source of foreign exchange after oil and natural gas. Jakarta wants the figure to double over the next four years.

The country's textile exports to the U.S. amounted to $234m last year, some two-thirds of the total. The Jenkins Bill would limit annual increases in exports to 6 per cent, based on 1980 figures, when exports were relatively low, and would mean an 89 per cent reduction in exports. Officials say lay-offs would be inevitable in an industry which employs 1.5m people

One official goes further, and says the question of U.S. cotton imports to Indonesia, accounting for 60 per cent of the total, would have to be reconsidered if the Bill goes through. "It will be a serious setback for our entire relationship with the U.S." he says. Mr Frans Seda, representing Indonesia and Asean textile manufacturers, warns that it will be "war" if the Bill is passed.

Thailand, long one of the world's great commodity and food exporters, has successfully made textiles a key component of its industrial expansion, and its principal manufactured export.

There are more than 800 textile mills in the country, and some 600,000 Thais work in the industry—a substantial proportion of the industrial workforce.

Last year Thailand exported some $700m-worth of textiles with around 40 per cent going to the U.S.

According to the Bangkok Bank, textile exports to the U.S. expanded by 139 per cent between 1980 and 1983 and by about 55 per cent in 1984—a rise said to involve "overshipments" which obviously sent alarm signals to the U.S.

The Jenkins Bill would result in a 64 per cent cut in Thai exports, according to the American Chamber of Commerce in Thailand. This would lead to lay-offs and hurt the whole economy at a delicate time, the Chamber says. The Bill would "seriously impair the U.S.'s political and economic relations with Thailand and its Asean partners—a development which will undermine U.S. security in East Asia and its aspirations for Asia-Pacific co-operation," the Chamber adds ominously.

Asean, which ranks collectively as the U.S.'s fifth largest trading partner, echoes this view. It has said the proposed legislation is contrary to the spirit of free trade, discriminatory in its exclusion of certain selected textile exporters (for example, from the EEC) and violates the Multi Fibre Arrangement. But it has also pointedly drawn attention to the group's shared political and security interests in the Asia-Pacific region.

As an alternative, it suggests that proper redress should be sought through multilateral talks and negotiations—in other words through the MFA and the General Agreement on Tariffs and Trade.

At a broader level, however, the textiles affair is illustrative of more than Asean solidarity over common problems. It highlights the need for the grouping to look more closely at its own markets, and especially at the prospects for encouraging greater trado among its members and their immediate neighbours.

UK bid to boost naval exports

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

NEARLY 200 British companies will be exhibiting at the Royal Naval Equipment Exhibition which opens in Portsmouth on Monday in a bid to increase Britain's flagging arms exports.

Some 20,000 specially invited guests are expected to attend the biennial show, which is not open to the public and is costing £1.6m to stage.

Most of the big names in British defence are exhibiting, including shipbuilders Swan Hunter and Vospers, the Aerospace Dynamics Group, Marconi and the electronics companies of Ferranti, Plessey and Racal.

Naval equipment such as patrol vessels, radar and sonar systems, torpedoes or the "chaff" used to protect warships from missile attack probably accounts for no more than 20 per cent of Britain's total arms exports. There have been no sales of new warships for more than a decade.

British arms exports are expected to reach £2.6bn (£1.9bn) in 1985-86 according to the current Defence White Paper. However, that document includes no comprehensive figure for sales in 1984 nor projections for the current year. Officials acknowledge privately that this is because arms sales abroad have been running at about 25 per cent below estimates, probably amounting to just under £2bn for 1984.

The principal reason for the decline, which has apparently continued this year, is believed to stem from financial problems faced by Britain's potential customers in the Third World and Middle East and the difficulties involved in extending credit to them.

Arms exporters, in particular, claim that cover via UK Government institutions and the banking system is increasingly hard to arrange on arms sales partly because the UK Treasury and the Department of Trade and Industry prefer to direct credit to civil contracts where possible.

Officials expect year-to-year variations in arms sales if only because one major export sale —such as the long projected but increasingly elusive £1bn deal with Saudi Arabia on sales of the Tornado fighter-bomber —can have a disproportionate effect on sales figures.

British Aerospace last month announced the sale of eight Tornadoes to Oman, worth some £250m-£300m over the next few years, but it is felt that it will need several more sales of that order significantly to boost sales for this year and next.

Austria bank consortium signs China credit line

BY PATRICK BLUM IN VIENNA

A CONSORTIUM of Austrian banks led by Creditanstalt Bankverein, the country's largest bank, signed a Sch 6.9bn ($354m) export credit line with the Bank of China yesterday.

It is in support of bids by an Austrian engineering and electrical consortium led by Elin-Union for equipping up to 27 hydro-electric power plants.

The credit line, valid until the end of 1989, is at low preferential interest of 6 per cent, repayable within 16 years to 19½ years, depending on export orders.

The terms are unusually favourable for Austrian credits. Algeria is the only other country to which Austria has granted 6 per cent interest terms for a Sch 6bn credit line over five years to finance a railways modernisation programme near Algiers.

The other banks providing the credits are Oesterreichische Landerbank, Genossenschaftliche Zentralbank and Bankhaus Schöeller.

Herr Orthin Klapper, deputy head of Creditanstalt's International division, said that the low credit was made possible by export subsidies from the Government and from the companies which expected to be involved in the power plant projects.

No contracts have been signed yet for the Austrian companies but negotiations on orders for two power plants worth Sch 600m to Sch 900m are well advanced, Herr Klapper said.

AMERICAN NEWS

U.S. farm banks to seek federal aid

By Nancy Dunne in Washington

THE U.S. Farm Credit System, the group of co-operative banks which lend to farmers and ranchers, this year is expected to suffer its first operating loss since the Great Depression, according to Mr Donald Wilkinson, governor of the system's supervisory agency.

Speaking at a press conference yesterday, Mr Wilkinson said the Farm Credit board meeting on Wednesday had found enough deterioration in the condition of the American farm economy to warrant asking its supervisory agency, the Farm Credit Administration, to begin immediate discussions with Congress and the Reagan Administration about federal aid.

"The system is rapidly approaching the time when it will require federal financial assistance unless major new forces alter these trends," Mr Wilkinson said.

He said the assistance could be needed in 18-24 months, if not sooner. Rescue alternatives must be discused now and put in place soon on a contingency basis so that aid could be provided before irreparable damage is done to the credit delivery system.

The farm credit system holds about 40 per cent of the estimated $212bn in farm debt. Loan defaults by hard-pressed farmers have been on the rise, and some analysts expect them to mushroom this autumn.

Mr Wilkinson said that second quarter system earnings declined "dramatically

The farm credit board has ordered the system regional banks to make funds available to each other and share their losses.

"Negotiations of loss-sharing agreements is simply too costly and time consuming and the threat exists that some institutions may balk at approval," Mr Wilkinson said. The farm credit board is exploring four alternatives for assistance:

● The use of government-backed gaurantees for the securities it sells or government guarantees of loans to farmers.

● The operation of a new organisation or expansion of an existing mechanism to acquiring bad loans to stabilise the decline in land values and relieve hard-pressed institutions.

● A direct infusion of government capital into the system.

● A federal buy-down of interest rates.

Terry Dodsworth assesses the career and re-election chances of New York City's ebullient chief

Koch's one-man mayoral machine goes into top gear

WHEN Mayor Ed Koch was smashing the New York patronage system during his first administration in the late 1970s, he was told by one critic that he was acting as though he wanted to be a one-term mayor.

"You're exactly right, Charlie," he replied, "and that's why I am going to be a three-term mayor."

The story, told by Mr Koch in his best-selling book, Mayor, captures the inimitable flavour of a man who commands the biggest city budget in the world: the unabashed self-glorification, the gift for a swift retort and the inherent aggressiveness.

They are traits which reflect the breezy ebullience of New York City, and they look like carrying Mr Koch successfully through a present re-election campaign to his predicted third-term victory.

Mr Koch stands so far ahead of his opponents largely because he has a wonderful talent for communication and is ruthless in applying it. In the campaign for the Democratic nomination next week—the key battle, since the Republicans do not have a credible alternative—he has the advantage of being the insider with a $6bn (£4.38bn) budget to fire at his rivals.

However, even without money, Mr Koch is a formidable performer because he knows exactly how to play to the New York gallery.

The intuitive ability to grasp what makes the city tick was picked up in a career that has been almost exclusively based on New York.

Apart from a brief experience of the battlefields in the Netherlands 40 years ago. Mr Koch has worked his way steadily through the various strata of city life.

He has gone from birth in the heart of the Bronx in an immigrant Polish-Jewish family, to hard times in the depression, a law degree, and the seat in Congress which provided the springboard to Gracie Mansion, the palatial East Side mayoral residence in 1978.

Mr Koch emerged from this pilgrimage as a right-wing Democrat, and egalitarian with a respect for democratic institutions because they protected ethnic minorities such as his own.

He also became an equally vigorous opponent of special handouts. Throughout his mayoralty, Mr Koch has honed his message to middle class voters, often protecting their interests at the expense of the large black minority.

"It is an understandable fear that a large infusion of poverty-stricken people, many on welfare, will pose a threat to the way of life in a middle-class community," he wrote in 1971, when he was defending a Jewish neighbourhood against a relocation housing project.

Middle-class American virtues of thrift and good housekeeping were also brought to the city administration in a Thatcher-type revolution which captured Mrs Thatcher's message well before it was applied in the UK.

Mr Koch thundered into City Hall determined, as he writes in his book, to get rid of people who did not fit, to stand up to the unions—there were "too many loafers" on the payroll—and to stop unproductive spending.

He writes with relish of how he banned the system of workers being on emergency standby on "snow day" alerts, saying they were a device for extracting extra pay, and how he provoked competition among the administrative departments to make them improve their billing of outside contractors.

"A little competition is always healthy," he says. He made sure the basic services worked, and, while in no way solving the crime problem, still took a lot of it off the streets of central Manhattan, where the middle classes go to work.

Koch: It never rains on his parade.

These policies turned out to be far more popular than many hardened New York politicians thought they could ever be. What made them stick so effectively was that they proved brilliantly successful at an economic level.

When Mr Koch arrived at Gracie Mansion at the start of his first four-year term, New York seemed to be drifting rudderless through the financial crisis which had struck in the mid-1970s. The city was overburdened with debt, had lost its good name in the financial markets and was living beyond its means.

New York today is back in surplus, and has been for three years. It is restored to full acceptability as a first-class borrower, and is creating jobs at a rate which easily exceeds the national average.

The wealth that has come pouring in through a booming Wall Street and the economic recovery is pouring out again in an extravaganza of glittering new skyscrapers and property developments.

The mayor has used his consummate ability as a communicator to capitalise on this record to the fullest, dredging the last ounce of publicity out of every little victory. His natural flair for the theatre of public life attracts television cameras like a magnet.

Early in his first mayoral campaign, he formed an alliance with Mr Rupert Murdoch, the Australian-born publisher who wields heavy influence in the city through the pages of his New York Post, and Mr Koch has written about his delight in editorial lunches.

"At night, when I get the paper, I turn first to the editorial pages to see how I've done at lunch," he says, showing the true mark of a newspaper groupie.

On television, he has a style of delivery which is closer to that of a stand-up comic than a politician, phrasing words in his gravelly-voiced cadences which build up slowly to a punch line. Mayor Koch loves to associate himself with New York, as though the two entities somehow belong irreversibly to each other.

He recently helped to arrest a parking meter thief whom he spotted as he was cruising by in the mayoral limousine. Explaining his action later on television, he said that the man was already receiving city welfare. "I don't see why he should go around robbing my parking meters," he exploded.

This year, as the election has rolled closer, Mr Koch's frenetic one-man publicity machine has worked all the harder.

Scarcely a single parade of the city's different ethnic groups has passed down Fifth Avenue without the tall, balding, increasingly-podgy Mayor Koch plodding along in front, wearing a fancy hat and declaring himself Irish, Italian or Puerto Rican for the day.

No interest group, however alien it may seem, is free from the possibility of a sympathy raid from the mayor. When Archbishop John O'Connor went to Rome in the summer to be raised to Cardinal, Mayor Koch went, too, managed an audience with the Pope and stepped off the plane at Kennedy airport to tell the television crews that Italy had some wonderful churches.

His book has been turned to maximum effect, and fans can now buy tapes and records of Mayor Koch reading extracts, see an off-Broadway musical based on it, and take home a recording of the musical.

The one area where Mr Koch is clearly vulnerable is among the black voters and, to a lesser extent, New York's growing Hispanic community. The mayor attracted criticism from the start of his administration for his treatment of the blacks because he cut off some of their welfare payments and closed hospitals in the black ghettos which he claimed were inefficient.

He has also allowed the steady gentrification of Harlem, the main black area, which has reduced the housing available to New York's most underprivileged group.

During the campaign, the mayor's opponents have worked hard to pin the "anti-poor" label on him, saying he is now in the pocket of property developers who are bankrolling his re-election.

Mayor Koch is not quite Teflon man: some of this criticism sticks. But, as he tirelessly points out, he still scores more highly with the blacks in opinion polls than most of his opponents. Perhaps they recognise in him some of the jaunty celebration in New York's ethnic diversity with which he rounds off the book, Mayor.

"I am the mayor of a city that has more Jews than live in Jerusalem, more Italians than live in Rome, more Irish than live in Dublin, more blacks than live in Nairobi and more Puerto Ricans than live in San Juan," he writes.

"It is a tremendous responsibility, but there is no other job in the world that compares with it."

U.S. women suffer equal pay setback

BY NANCY DUNNE IN WASHINGTON

A U.S. FEDERAL Court has delivered a setback to the American women's movement by overturning a ruling granting $400m (£290m) in back pay to women government employees in Washington state.

15, The back pay was granted to 15,000 women who contended they were paid less than men who worked for the state in jobs with similar skill requirements.

A U.S. district court judge in 1983 accepted the principle of "comparable worth," and ordered both back pay and new, equalising pay scales.

However, a three judge, all-male panel of the ninth U.S. circuit court of appeals in San Francisco, said on Wednesday the state of Washington was not obligated by law "to eliminate an economic inequality which it did not create."

The federal courts have no mandate to interfere in the market system used to set compensation for state employees, the judges said.

In the 1983 ruling, the judge used a study commissioned by the state government which showed a 20 per cent salary gap between workers in predominantly female and predominantly male jobs that involve similar skills, intelligence, responsibility and working conditions.

The principle of comparable worth has been strongly opposed by the Reagan Administration and its Civil Rights Commission. Mr Clarence M. Pendleton Jr, the commission's chairman, has called comparable worth "looney."

The American Federation of State, County and Municipal Employees which filed the Washington case, as well as others around the country, denounced the decision as "totally inconsistent" with court rules in past discrimination cases. The union said it would appeal against the ruling to the Supreme Court.

Nicaraguan Indians form anti-Sandinista alliance

GUERRILLA leaders from the indigenous communities of Nicaragua's Atlantic coast are attempting to put an end to infighting in their ranks, writes Tim Coone in Managua. The guerrillas are also hoping to claim part of the $27m (£19.3m) in funds recently approved by the U.S. Congress for the Nicaraguan counter-revolutionaries seeking to overthrow the Sandinista Government.

Following a four-day assembly in the remote village of Rus Rus in Honduras, close to the Nicaraguan border, an assembly of 700 Indians agreed to form an alliance known as Kisan, the Nicaraguan Indigenous Communities Union.

The alliance plans to request $300,000 of the congressional funds and formal membership of the counter-revolutionary alliance UNO. This was formed in June and brings together the right-wing guerrilla forces of the FDN, fighting to the north, with elements of ARDE,

Four die in Chilean day of protest

By Mary Helen Spooner in Santiago

AT LEAST four people died, dozens injured and more than 300 arrested on Wednesday during a day of protest by Chile labour and Left-wing groups against General Agusto Pinochet's regime.

Most of the deaths and injuries resulted from shots fired at demonstrators and onlookers in poor and working-class neighbourhoods by police and men in civilian dress in passing vehicles.

In the centre of Santiago, several hundred demonstrators gathered to sing the Chilean national anthem and shout anti-government slogans, but were dispersed by riot police firing tear gas and water canon.

The clash between police and demonstrators lasted more than an hour, prompting shopkeepers and businesses to close their doors.

Most of the capital's public transport services, except for the underground railway, were brought to a standstill. Train departures were stopped when demonstrators erected blockades on the tracks and hurled fire bombs at locomotives sent to clear them.

In several parts of Santiago and other cities, the electricity supply was temporarily suspended.

The protest was called by the National Labour Command, an umbrella grouping of labour organisations, and a handful of small left-wing groups.

Chilean officials insisted the situation was "one of complete normality" and did not impose an early curfew, a measure taken during past anti-government protests. Nevertheless, Gen Pinochet warned he would crack down on demonstrators if the protests spread.

Yesterday tension in the capital had notably diminished, although bus and taxi services were still at a reduced level. The National Labour Command claimed that 85 per cent of bus drivers and a similar number of taxi and truck drivers stopped work during the protest.

The day of protest was not supported by Chile's opposition political parties, except for the left-wing Democratic Popular Movement, a coalition of Communists and the more radical factions of the country's Socialist Party.

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THE PROPERTY MARKET BY MICHAEL CASSELL

Busy days along the Bath Road

"IT IS A very long time since we have had developments under way in all our international markets. But we are busiest of all in our own backyard." Nigel Mobbs, chairman of Slough Estates, the UK's premier developer of industrial property, reckons that with over 1m sq ft of floorspace under development his group has never been more active at home and there are no signs that Slough intends to slow down.

With the Allnatt-Guildhall portfolio, acquired in 1983, still being digested, Mobbs already has one eye again on the takeover trail and says that while few other deals will be as straightforward as the last, the group is now in a position to contemplate a further acquisition.

Through Slough Developments, the group now has a record 500,000 sq ft of trading property underway in the UK while a slightly larger stock of new floorspace is being developed for the domestic investment portfolio. The estimated value of the investment projects in hand is now put at over £40m while the sale value of its current trading programme stands at between £30m and £40m.

Having fared better than most industrial developers in the 1980s, largely through its insistence on sticking to top quality property in prime, south-east locations, Slough last week reported another excellent set of results with first-half, pre-tax profits reaching £20m and beating all expectations.

The group this week added to the momentum by announcing that Slough Developments has acquired sites in Reading and Hemel Hempstead which will accommodate over £10m worth of high-tech property.

On the site of the old Post and Echo building in Hemel, Slough will develop 40,000 sq ft of high-tech space available in units of 4,000 sq ft upwards. At Reading, another 40,000 sq ft will be built in conjunction with Characin Developments.

The latest projects mean that Slough Developments, the group's trading subsidiary, has 11 separate UK schemes underway in the office and high-tech sectors. In addition, Slough has been chosen for the Howard Centre shopping complex in Welwyn Garden City and is to develop the West Midlands Freeport at Birmingham International Airport.

Mobbs is particularly keen to step up the group's involvement in the retail sector, given its recent performance and prospects, though he accepts that competition is tough and other, more experienced retail developers, are thick on the ground.

The trend towards so-called "high-tech" space also means that Slough's schemes inevitably include a substantial proportion of office space, a formula which Mobbs quickly points out is less of a revolution in occupational demands and more a return to the type of demand prevalent when industrial property development was in its infancy.

Overseas, Slough is building 70,000 sq ft of offices for the European Parliament in Brussels, has two speculative office and industrial schemes underway in Paris and will soon be making a start on an office and shop project near Dusseldorf.

Further afield, the group is stepping up development at Markham in the suburbs of Toronto, has schemes underway in San Diego and Chicago and is also busy building in Sydney.

At present, around £200m of the group's £750m-plus investment portfolio is located overseas. But it is the UK industrial property portfolio, enlarged by the 1983 acquisition of Allnatt London and Guildhall, which lies at the centre of Slough's fortunes and nowhere is the group currently more active than along the Bath Road on the Slough trading estate, where the business started out in the 1920s.

Of the 500,000 sq ft-plus investment portfolio programme, over 300,000 sq ft of the total is accounted for by activity on the 484-acre trading estate where the last remaining chunk of empty ground adjacent to the Mars complex is about to be filled in. A substantial proportion of the property on the estate—where the vacancy rate stands at around 3 per cent—is nevertheless nearing the end of its useful life and the company is moving in to redevelop when tenants leave or when they decide to expand.

On one edge of the estate, Lynton Holdings, with Clerical Medical and General Life, has recently developed the successful 6.5-acre Perth Trading Estate and its appearance provides a fairly salutary reminder of how some of the property next door has been overtaken by time.

Roger Carey, Slough's enthusiastic development director, is overseeing a redevolpment programme which is fast changing the profile of the estate and taking full advantage of the huge increases in values recorded since some of the properties were built. One major site about to be redevolped is to house a retail warehousing centre and a pre-let has apparently been arranged.

Carey and his team are also deeply engaged in creating development oportunities arising out of the Allnatt acquisition—not least its 100,000 sq ft development at Feltham, Middlesex, already pre-let to Thorn-EMI. Despite some outside doubts about the sense of the deal, it has handed Slough a useful, high-yielding portfolio and plenty of redevolpment potential in some attractive locations. Less than 10 per cent, by value, of the Allnatt-Guildhall portfolio has so far been sold off.

Slough's performance means the City has uprated its pre-tax profit forecasts for the current year to around £39.5m against £33.5m last time, implying the 41st consecutive year of earnings growth and a mere doubling of pre-tax returns since 1983. Who says industrial property has to be dreary?

Hampton in office deal

PROPERTY-to-gold mining group Hampton Trust is buying two fully let London office buildings for £8.67m. The unconnected deals will raise the group's current net rental income by £1.13m to £4.09m a year.

Hampton, headed by David Lewis, has purchased the leasehold interest of Tintagel House, Albert Embankment, from St Martins Property Corporation, an 83,000 sq ft net building let in its entirety, for 20 years from 1981, to the Receiver for the Metropolitan Police and producing a current rental income of £875,000 annually. The Duchy of Cornwall lease runs until 2083.

The group has also purchased from private owners the freehold of Hamlyn House in Highgate, which adjoins Archway Tower, already owned by Hampton. Simon Engineering subsidiary Drake and Scull occupy the 51,900 sq ft offices and Lloyds Bank and the London borough of Islington are ground floor tenants. Current rental income is £277,000 a year.

Hampton said yesterday that the cost of the acquisitions, which leaves over half its portfolio in retail investments, will initially be met out of bank borrowings, to be repaid through the raising of long-term, fixed interest finance. Though the company would not comment on the prospect, a public debenture issue seems likely.

Returns slip on U.S. real estate

US REAL ESTATE investments continue to provide higher returns than UK property, though the performance gap again appears to be narrowing, despite the UK market's recently weak performance.

The latest analysis of institutional-standard property performance carried out in the UK by Michael Laurie and the Corporate Intelligence Group and in the U.S. by the Frank Russell Company in conjunction with the National Council of Real Estate Investment Fiduciaries, shows total rates of return running about 3 per cent higher in the U.S. than in the UK during 1984.

The indices are based in UK investment portfolios valued at nearly £12bn and representing over 25 per cent of all institutional property assets while the American property pool is now worth nearly £8bn.

The comparisons reveal that while the total rates of return on a wide cross-section of UK investment property rose marginally during 1984 to reach 9.8 per cent, they fell back in the U.S. from 13.3 per cent to 12.:9 per cent. The 3 per cent differential compares with a 3.6 per cent gap in the previous year.

Only seven years ago, returns on UK property were running 5 per cent ahead of those in the United States and indeed the latest figures show that, over the 1978-84 period, annualised rates of return between the two markets were barely separable, with the UK achieving 14.8 per cent and the U.S. 15.2 per cent.

According to Michael Laurie, average capital growth in the UK during 1983 reached 3 per cent, marginally down on the previous 12 months, with the balance of the total return coming from a marginally improved stream performance. In the U.S., however, average capital growth rose marginally to 5.4 per cent while income returns fell to just over 7 per cent.

Retail property in the UK once again showed the highest rate of return, at 8.6 per cent, continuing the recovery achieved in 1983.

Mountleigh buys in Knightsbridge

MOUNTLEIGH GROUP is paying £6.75m for a leasehold property investment in London's Sloane Street.

The Yorkshire - based development and investment group has paid £500,000 in cash and the remaining balance is due on completion of the transaction later this month. Part of the sale price is to be met via the issue of 1m new ordinary shares, which Charterhouse Japhet has agreed to place with the institutions at a price of 440p.

The acquisition involves five prime shop units totalling 6,758 sq ft, 11,380 sq ft of first floor offices and the 194-bedroom Chelsea Holiday Inn Hotel. The property is situated in the heart of the Knightsbridge shopping area, on the west side of Sloane Street between its junction with Basil Street and Hans Crescent.

The package is held on a long lease from Cadogan Estates for a term of 120 years from March 1971 and provides a current annual income of £462,000 net of ground rent. The directors say the purchase offers an attractive opportunity to add to its portfolio of trading properties and further its policy of raising its exposure in London and the south east.

A shareholders meeting to approve the deal will be held on September 24.

● London & Edinburgh Trust has let its "high-tech" development at Waterside Park, Bracknell, to Hewlet Packard, the computer group, for a rent of just over £1m a year. Hewlett Packard has agreed to pay about £10 a sq ft for the 105,000 sq ft complex—setting a new record rent for business campus developments—three months in advance of the building's completion.

The project has been forward sold to Wyndham Investments, the Allied Lyons Pension Fund.

Company Notice

Charter Consolidated
7.5% Loan of FFr 100,000,000
1972-1987

The FFr 5,000,000 redemption instalment due on 1st October 1985 has been entirely met by purchases in the Stock Exchange. Outstanding amount after 1st October 1985: FFr 56,000,000.

The Fiscal Agent:
Banque Paribas (Luxembourg) S.A.

Personal

Regional Property

UK NEWS

S. Wales mines moving closer to profit

BY MAURICE SAMUELSON

THE NATIONAL Coal Board says it expects its loss-making South Wales area to start breaking even for the first time early in the next financial year, thanks to a big surge in coal production and higher efficiency.

Mr Cliff Davies, South Wales area director, told Welsh NCB managers that with output scheduled to rise by 5,000 tonnes a day and productivity by 33 per cent at the beginning of 1986, the coalfield would make "a massive thrust to breaking even in the first quarter of 1986–87."

Despite the cutbacks in capacity, output will be raised by high-powered coal-cutting machines due to enter production by the end of this year at Taff Merthyr, Blaenant, Oakdale and Lady Windsor/Abercynon collieries. This will supplement the higher output now being achieved from Deep Navigation and Betws collieries.

Mr Davies, who succeeded Mr Philip Weekes as area director three months ago, was speaking against the background of the £188m lost by the area in the year of the strike and the subsequent closures of exhausted and loss-making capacity.

His remarks coincided with the announcement that Celynen pit at Newbridge, which employs 350 miners, would close shortly. It was the first Welsh pit to be named for closure at the end of the strike.

He said the management aimed to raise output from 27,000 tonnes a day and that at least 4,000 tonnes a day of new output would begin flowing in January. "We are now on the verge of breaking through to a successful and profitable future based on high-volume and low-cost coal production. We expect much of the boost to come from pits now in the throes of being re-equipped", he said.

"We will then be on course to make South Wales viable in its own right in 1986–87, which means a transformation of our fortunes", Mr Davies said.

At the end of the miners' strike the area had 23,000 miners on its books. This is now down to below 19,000 and it is believed the board would like to reduce this still further.

● The Derek Crouch group of companies, based at Peterborough, said yesterday it had landed contracts worth £45.8m for open-cast mining of coal and associated operations.

THE National Coal Board (NCB) will not use a revised colliery review procedure to make a final judgment on the closure of three pits when they reach national level on appeal next week – in spite of an agreement to do so signed with the pit deputies' union, Nacods last September.

The three pits – Horden, and Bates in the north east and St John's in South Wales – are the first of a growing list of pits queueing up for final closure decisions.

Mr James Cowan, the NCB deputy chairman, has written to the three mining unions – the National Union of Mineworkers, the British Association of Colliery Management and Nacods in Blackpool – to say their inability to agree the form of the final appeals body meant the old procedure would still apply.

All three unions are angered by the letter, claiming the board has breached both the letter and the spirit of the Nacods agreement.

BBC to show Ulster film

THE BBC board of governors decided yesterday that the controversial "Real Lives" documentary on Northern Ireland is to be shown after all.

The governors accepted a recommendation from Mr Alasdair Milne, the BBC director general, that the programme after minor modifications was now ready for transmission. It will be shown in late October.

Last month the corporation was plunged into one of the most serious crises in its history when the board rejected for the second time the unanimous advice of the board of management to show the programme. It features interviews with Mr Martin McGuinness, allegedly a senior figure in the IRA.

□ THE NUMBER of incorporated companies in the UK passed the 1m mark for the first time last year.

A record 97,908 new companies were registered in 1984, taking the total on December 31 to 1,000,791. Although 105,867 of these companies were in the process of liquidation or removal, the effective number of 894,924 was also a record.

According to the Department of Trade and Industry's annual report "companies in 1984" compulsory liquidations also increased markedly from 5,070 in 1983 to 5,532 in 1984. The number of creditors' voluntary liquidations fell from 8,857 to 8,712 in the same period.

□ GENERAL ELECTRIC CO, is closing its McMichael subsidiary, once the focus of its hopes to build a strong presence in consumer electronics markets, with the loss of about 350 jobs.

GEC said it would continue to manufacture the main McMichael products, television studio, cable television and teleconferencing equipment, in two other plants.

□ POUNDSTRETCHER, the British Airways-owned budget travel company, has acquired for an undisclosed sum Intercontinental Navigation Inc. (INI) of California, a major U.S. charter operator.

□ PHILLIPS & DREW, the stockbroker, is to acquire a Midlands-based market-maker in securities, Edwards, Jones & Wilcox. The move follows Phillips & Drew's decision earlier this year to acquire Moulsdale, a market-maker in British Government securities.

John Moore on an accounting errror which hid even worse insurance news

Troubled times for Lloyd's

LAST YEAR Britain's premier insurance community, Lloyd's of London, revealed to the world the extent to which profits had been affected by the internal scandals in the market. Profits had slumped from a record £263.8m to £151.9m and Lloyd's reported its first underlying underwriting loss of 43.5m since Hurricane Betsy in the 1960s led to huge insurance claims.

In the latest completed account just about everything seems to have conspired against the market's performance. A record underwriting loss, in money terms, of £188.93m has been reported for the 1982 account, which compares with the £40.2m losses in the 1965 account after Hurricane Betsy.

It has been a difficult enough trading period for Lloyd's. But yesterday's announcement of the figures by Lloyd's chairman Mr Peter Miller was accompanied by the admission that there had been an accounting error.

In the original Lloyd's accounts the losses were shown as £165.93m. But this figure had to be hastily revised when it appeared there had been a £22m slip-up in the returns made to market by accountants over the reserves necessary to close the last account.

The loss figure was revised to £188m and the profit which the market appeared to have made – largely on investments of premiums of £2.89m – had to be reduced from £79.03m to £57m. An internal inquiry at Lloyd's is now under way.

As usual Lloyd's has presented its accounts three years in arrears so the figures relate to the 1982 underwriting account which closed in December last year. This accounting method is designed to allow a better assessment of outstanding liabilities on insurance accounts within the market.

It also allows the 26,050 members to defer their tax declaration on profits and this contributes to the overall tax advantages of membership.

The figures in the last account were influenced by many factors. Yesterday's scandals at Lloyd's continue to hit performance. The problems surrounding the 1,525 members whose affairs were managed by the troubled Richard Beckett Underwriting Agencies company (once known as PCW) contributed £73.2m to the losses on the 1982 account.

The results have also been adversely affected by uncertainty surrounding the affairs of members whose affairs are managed by Alexander Howden, R.H.M. Outhwaite and Posgate & Denby, the family company of one of Lloyd's most celebrated underwriters, Mr Ian Posgate. The accounts of members whose affairs are looked after by these interests have had to be kept open because of the difficulty in quantifying the potential losses. The provisions on these open accounts depressed the performance of the 1982 account by a further £56.2m.

The losses at the Beckett agency, which have been linked to a whole series of irregularities, are bad enough, but the market has also been plagued by equally serious trading problems.

Most seriously hit was Lloyd's non-marine market, which contributed more than £1bn to Lloyd's total premium income of £2.89bn. In this market Lloyd's insures everything from footballers' legs to damage to buildings and liability claims on defective products. On the general liability front underwriting losses climbed from £195.57m to £414.47m. Investment income on premiums was not sufficient to save underwriters and overall loss rose from £108.8m to £314.39m.

Mr Richard Hazell, who heads the Lloyd's non-marine market association, said there was a need for underwriters to increase outstanding reserves for outstanding losses in the light of large awards made by U.S. courts to employees of companies who contracted industrial diseases, such as asbestosis, during their employment.

Industrial companies have taken out extensive insurance protection to protect themselves against the financial effects of litigation.

Small typhoons and tornadoes in America and the Pacific, and the British winter, also produced a spate of claims for damage to property at a time when premiums were low. Overall profits on damage-to-property risks slumped from £112.4m to £95.5m.

In the motor market underwriters said there had been a rise in expenses and a fall in investment earnings while premiums had been held down to maintain market share. Profits fell from £40.4m to £22.3m, but a large increase in motor rates was forecast yesterday. "By 1986 motor rates are likely to be running between 20 and 25 per cent above the level they were in 1984," said Mr Alec Mandeville, chairman of Lloyd's motor association.

A bright spot during the account was the marine markets, where profits rose from £104.2m to £189.9m, helped by the quasi-cartel system between London insurers who take on the risks of 40 per cent of the world's shipping fleets. This protected prices, but rates are already set to rise dramatically again in the next renewal season.

BA embarrassed by Boeing exits issue

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE FEDERAL Aviation Authority, the U.S. body responsible for air safety in the U.S., has embarrassed its UK counterpart, the Civil Aviation authority, and British Airways by appearing to change its mind about the number of emergency exits needed on Beoing 747 Jumbo jets.

British Airways is among airlines which have already reduced the number of exits – from 10 to eight – to increase passenger capacity. The change was made after consultation with the CAA and meant that international rules on passenger evacuation times from the airliner could still be met.

The FAA, which had originally agreed to the reduction in exits, is now suggesting that it should not be made.

The international rule is that a Boeing 747 should be capable of evacuation within 90 seconds through half the emergency exits.

With 10 exits, 550 passenger can in theory get out within 90 seconds. With eight, 440 can. Since BA carries only a maximum of 410 per 747, it is still within the safety rule.

Mr Donald Engen, administrator of the FAA, says, however: "It is time for a rigorous reassessment of the regulations" governing emergency evacuation of 747s. In the meantime, he urges all U.S. airlines "to retain already certificated emergency exits."

The CAA and BA remain adamant that what BA done is safe.

Despite this view, there is considerable concern among organisations such as the International Air Passengers Association, that the 90-second rule itself is suspect, based on simulations of accidents requiring evacuation. They say the time allowed does not take account of such factors as fire, smoke, injury and panic.

Pensions surplus to lift Lucas profits

By Eric Short

LUCAS Industries, the Birmingham-based motor and aerospace electrical components group, has become the latest public company to benefit from surpluses in its pensions schemes.

The company is to make no contributions to its two schemes – the Lucas Staff Pension Trust and the Lucas Works Pension Trust – for the next two years. The result will be an £20m addition to Lucas's pre-tax profits in the year to July 31 1986, and the following year.

Employees, however, will continue to pay into the schemes at 6 per cent of salary for the staff scheme and 4½ per cent for the works scheme.

The company's share price rose strongly on the announcement by 34p to 365p. Analysts are forecasting pre-tax profits for 1985/86 of some £70m. The pension contribution holiday will account for around a fifth of the increased £90m estimated higher profit.

These two schemes, like many other company pension schemes, have seen their asset values rise substantially over the past few years because of buoyant stockmarkets, while redundancies and lower wage and salary increase have held back a corresponding rise in liabilities. This has resulted in funds showing substantial surpluses.

Lucas attributes its surplus mainly to investment performance, where the portfolio holds 90 per cent of its assets in UK equities, including 13 per cent of the parent company's equity – some 4 per cent of the portfolio. Asset values of the staff scheme rose from £313m to £546m in the two years to March 31, 1984, while the works scheme climbed from £167m to £298 in the same period. Currently the combined value of the two funds exceeds £1bn, compared with a market capitalisation of Lucas of £354m. The company was not prepared to state the size of the surplus.

Lucas is now coming out of the recession, with analysts expecting good profit growth. The company is reluctant to discuss how it will use the extra cash flow. Analysts feel it will be used either to help finance the major rationalisation of the electrical division or boost the major investment programme in aerospace and industrial sections, or reduce bank borrowings. It is unlikely it will be used to boost dividend payments per se.

Boom in tourism helps lift trade surplus to £1.2bn

BY PHILIP STEPHENS

THE first surplus on tourism since 1980 helped to push Britain's current account firmly into the black in the second quarter of this year, more than offsetting the deficit recorded during the first three months.

The Central Statistical Office (CSO) said yesterday that its preliminary estimates showed a strong improvement in invisible earnings and a smaller visible trade gap gave Britain a £1.2bn current-account surplus in the second quarter of this year.

That compared with a £535m deficit during the first three months, when overseas earnings from North Sea oil were hit by the miners' strike.

The turnaround in the current account, however, still left the surplus for the first half of the year at only £640m, compared to the Treasury's forecast for the whole of 1985 of £3bn.

The CSO said the surplus on invisibles – from services such as tourism, banking, insurance and from returns on overseas assets – totalled £1.4bn in the second quarter, nearly double the £750m in the first three months of the year.

Tourism, which fell into the red in 1980 after showing a surplus throughout most of the 1970s, provided net earnings of £114m between March and June, after a £62m deficit in the first quarter.

Government statisticians believe the improvement reflects the ever-growing influx of tourists into Britain, particularly from the U.S., and a levelling off in the number of people from the UK holidaying abroad.

Net income from Britain's assets overseas, which have risen sharply since the dismantling of exchange controls in 1979, totalled £698m in the second quarter, up from £672m in the first three months of the year.

The better performance in invisible trade coincided with a narrowing of the visible trade gap from £1.3bn to £222m in the second quarter.

To a great extent that reflected a rebound in oil exports after the settlement of the coal dispute, although there was also some slowing in imports.

Whitehall officials yesterday were insisting the £3bn target for the whole year was still "realistic," but many outside economists are less certain it will be achieved.

In recent months there has been an apparent levelling off in exports growth, and there is a general expectation that the pace of growth in world trade will slow next year.

Growth in recovery years averages 2½%

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE BRITISH economy grew at an average annual rate of ¾ per cent from 1979 to 1984, the first five years of the Conservative Government, according to the latest official figures.

The Central Statistical Office's Blue Book on the UK national accounts show that, during the recovery period from 1981 to 1984, the economy grew at an average annual rate of 2½ per cent, very close to the average growth rate for the whole of the post-war period starting in 1948.

In the period under the last Labour Government from 1974 to 1979, the average growth rate was 2 per cent. These figures incorporate the latest revisions to previous data by the CSO.

The statistics show that since 1980, productivity has been growing at an annual average rate of 2.8 per cent, which was significantly faster than the 2.1 per cent annual average since 1960.

Other analyses show that total taxes and national insurance accounted for 44.4 per cent of gross domestic product last year. This compared with 43.9 per cent in 1983 and 39.2 per cent in 1979 and an average of 36.6 per cent in the period 1960 to 1974.

However, if transfer payments like social security are excluded, general government absorbed only 20.5 per cent of national product last year. This was marginally less than in 1983 and close to the average for 1960 to 1974.

The rising importance of transfer payments can be seen from the fact that 15.3 per cent of personal incomes were provided by the state last year, compared with 12.3 in 1979.

Company profits last year accounted for nearly 18 per cent of total domestic income (after allowing for the changing value of stocks). This compared with 13.7 per cent in 1979

Company Notices

Gencor Group
Gold Mining Companies

DIVIDEND DECLARATIONS

NOTICE IS HEREBY GIVEN that dividends have been declared by the undermentioned companies, payable to members registered at the close of business on 20 September 1985.

The registers of members of the companies will be closed from 23 September 1985 to 4 October 1985, both days inclusive.

The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in United Kingdom currency at the rate of exchange ruling on 28 October 1985, or the first day thereafter on which a rate of exchange is available. Dividend warrants will be posted on 7 November 1985.

In the case of non-resident shareholders, taxation of 15 per cent will be deducted.

The full conditions of payment may be inspected at or obtained from the London office.

The companies mentioned are incorporated in the Republic of South Africa	Class of share/stock unit	Dividend No. (Final)	Amount per share/stock unit (cents)	Total for the year (cents)
Bracken Mines Limited	Ordinary	46	60	100
Kinross Mines Limited	Ordinary	35	175	325
Leslie Gold Mines Limited	Ordinary	42	60	105
Unisel Gold Mines Limited	Ordinary	42	75	150
Winkelhaak Mines Limited	Ordinary	51	230	460

By Order of the Boards
per pro: GENCOR (U.K.) LIMITED
London Secretaries
L. J. Baines

London Secretaries:
30 Ely Place
London EC1N 6UA

London Transfer Office:
Hill Samuel Registrars Limited
6 Greencoat Place
London SW1P 1PL

5 September 1985

UNILEVER N.V.

7% AND 6% PREFERENCE SUB-SHARES
ISSUED BY
N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR

Dividends for 1985 of 7% (Fl.0.84) Serial No. 102 and 6% (Fl.0.72) Serial No 83 respectively will be paid on and after 1 October 1985. To obtain these dividends certificates must be listed on listing forms obtainable from one of the following banks:

Midland Bank plc, Stock Exchange Services Department, Mariner House, Pepys Street, London EC3N 4DA.
Northern Bank Limited, 2 Waring Street, Belfast BT1 2EE.
Allied Irish Banks Limited, Securities Department, Stock Exchange Bank Centre, Ballsbridge, Dublin 4.
Clydesdale Bank PLC, 30 St. Vincent Place, Glasgow.

Separate forms are available for use (a) by Banks, U.K. firms of Stockbrokers, Solicitors or Chartered Accountants (b) by other claimants. Notes on the procedure, in each case, are printed on the forms.

Fuller details of the dividends may be obtained from the above-named banks on and after 20 September 1985.

EXCHANGES of Nedamtrust Certificates or Original Shares where applicable for Certificates of sub-shares and vice versa will be SUSPENDED FROM 13 September 1985 to 26 September 1985, both dates inclusive.

Certificates will only be accepted for exchange after 26 September 1985 provided that all dividends declared prior to that date have been claimed.

N.V. NEDERLANDSCH ADMINISTRATIE- EN TRUSTKANTOOR
London Transfer Office, Unilever House, Blackfriars, London EC4P 4BQ

7% PREFERENCE
DUTCH CERTIFICATES OF
FL. 1,000 and FL. 100

The dividend will be paid on and after 1 October 1985 against surrender of Coupon No. 102. Coupons may be encashed through Midland Bank plc at the above address or through one of the paying agents in the Netherlands. Coupons encashed through Midland Bank plc (from which fuller details of the dividend may be obtained) must be listed on a special form obtainable from the Bank which contains a declaration that the certificates to which the coupons relate do not belong to a resident of the Netherlands.
5 September 1985.

U.S. toy retailer to open British superstore chain

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE U.S. toy retailer Toys "R" Us is planning to launch a major drive into the £750m a year UK toy market later this month with the opening of five superstores selling goods for children.

The move is likely to lead to fierce price and marketing competition in the important run-up to Christmas between Toys "R" Us and other leading toy retailers, such as Woolworth and the Zodiac chain.

Toys "R" Us already claims to be the world's largest toy retailer with 200 superstores in the U.S. and an estimated 14 per cent of the U.S. toy market.

Mr David Burka, managing director of the UK operation, believes that selling toys through superstores, "will revolutionise the toy trade in much the same way as do-it-yourself superstores have changed that market."

He said: "There is a tremendous marketing opportunity in the UK's toy trade to bring the convenience of large-store shopping to adults with children." Each store, averaging 50,000 sq ft, will carry over 500,000 products, including 30,000 robots, 36,000 boxed games, and 12,000 soft toys.

The first five stores will be at Basildon in Essex, Bristol, Cardiff, Woking in Surrey and Wood Green in North London. A £1m advertising campaign is planned for the store openings later this month.

The company, which is a wholly owned and financed subsidiary of the U.S. operation, plans to expand into most major towns and cities over the next few years.

It could face new competition, as a result of Burton's recent takeover of the Debenhams department store chain, which includes the Hamleys toy shops. A new chain of Hamleys stores may be created to compete with Toys "R" Us and based within the revamped Debenhams stores.

Most of the big UK retailers which sell toys, such as Woolworths, Tesco, and W H Smith, have been deterred from launching a specialist toy operation because of the seasonal nature of the business.

BNFL to market more capacity

BY DAVID FISHLOCK, SCIENCE EDITOR

BRITISH NUCLEAR Fuels (BNFL) has begun to market another 6,000 tonnes of capacity for reprocessing spent nuclear fuel at its Sellafield factory in north-west England.

The extra capacity relates to the second 10 years of the expected life of its £1.3bn thermal oxide reprocessing plant (Thorp) expected on-stream in 1989.

The big attraction for prospective customers, in Japan and West Germany especially, is that the prices under discussion do not include the capital cost, which is being paid for by customers for the first 10 years of plant life.

Under their contracts, these existing customers have an option on the extra capacity.

No new contracts are expected to be signed until the new reprocessing plants planned by Japan and West Germany are under construction, later in the 1980s.

The BNFL annual report published yesterday discloses a small setback in profitability last year, with £68m pre-tax profits compared with £71m last year.

Turnover rose from £480m in 1984 to £545m, with an increase in export earnings of over 40 per cent.

Revenue from Japan for reprocessing contracts and the transport of spent nuclear fuel, including advanced payments on the construction of Thorp, are running at more than £100m a year.

Mr Con Allday, chairman and chief executive, attributed the setback in profitability to a three week interruption in reprocessing last winter, owing to production difficulties with a plutonium evaporator.

Construction of Thorp, the new reprocessing plant, was well advanced and on schedule, Mr Allday said. He expects the plant to have a working life of at least 20 years, whereas all original contracts were costed on the conservative assumption of a 10-year life.

Mr Allday said that he was disappointed at the drop in profits but confident that the company would be more profitable next year. "The substantial increase in export earnings achieved during the year is likely to be continued despite fierce competition," he said.

BNFL's order book for overseas reprocessing and the transport of spent nuclear fuel stands at £2.7bn. Orders for uranium enrichment amount to more than £1bn.

● By 1990, the French expect to be producing 76 per cent of their electricity from nuclear stations and 3 per cent from oil, said Dr. Eric Mignot, an economist with Electricité de France.

With 33 pressurised water reactors (PWR) operating in 1984, French nuclear electricity costs were 70 per cent of the cost of coal-fired electricity.

Mitsubishi to sell cars from Australia

By Kenneth Gooding

MITSUBISHI of Japan is to renew its attempts to sell in Britain cars produced by its subsidiary in Australia.

The group's UK importer plans to add to its range the Magna, a large car developed from the Gallant at a cost of A$60m (£30m) by Mitsubishi Australia.

The importer, Colt Car, which is 49 per cent owned by Mitsubishi, had hoped to start selling the Australian models at the beginning of next year.

However, according to Mr Jack Morris-Marsham, Colt's vice-chairman, the Magna is so much in demand in Australia – where Mitsubishi hopes for annual sales of 33,000 – there is not production capacity available yet for exports.

"We probably will not get our first shipment until late in 1986," he said.

The design of the Magna is unique to Australia. It has an 80 per cent Australian content by ex-factory value and shipments to the UK would therefore escape the "voluntary" restraints which limit Japanese car sales to about 11 per cent of the total market.

Colt sold 9,963 cars last year (8,641 in 1983) and 2,326 commercial vehicles (2,319). It hopes to register about 12,000 vehicles this year.

The company's first attempt to sell cars from Mitsubishi Australia was a flop. A separate distribution company, Lonsdale, was set up to market in Britain the Australian version of the Sigma. Lonsdale forecast sales of 3,600 for 1983 but only 504 were registered.

The Lonsdale operations were absorbed into Colt's last year when a further 550 Australian cars were imported – a long way from the original estimates

ANNUAL PARTY CONFERENCE SEASON GETS UNDER WAY

Alliance gears up for election

BY PETER RIDDELL, POLITICAL EDITOR

THE SOCIAL Democratic Party (SDP) and the Liberal Party intend to use their conference during the next fortnight to change gear to concentrate on the long run-up to the next general election.

The SDP yesterday announced a reorganisation of its London headquarters with its two senior officials including Mr Dick Newby, giving up day-to-day responsiblities to run a new general election unit.

These changes are intended to allow the party to concentrate more resources on its target seats. The small unit will draw on experience in the U.S. of new campaigning techniques following discussions with leading U.S. political consultants.

The SDP and the Liberals yesterday also jointly produced an updating of their budget proposals as a background document.

The main proposal is for £5bn of expansion, combining a one percentage point reduction in employers' National Insurance contributions, a £1bn programme of public-sector capital investment, a further expansion of the Community programme, special help for the long-term unemployed and a £1bn boost to current spending, especially on education and training. The increase in spending is £1bn more than was suggested by the Alliance at the time of the March budget.

The Alliance claims this expansionary boost, coupled with a firm incomes strategy and a steady monetary policy including full membership of the European Monetary System, would cut unemployment by 500,000 within two years according to a computer simulation on the Treasury economic model. The Alliance believes that coupled with other long-term plans, this package could succeed in reducing unemployment below 2m by the end of the decade.

The agendas of the two conferences, starting in Torquay tomorrow and in Dundee in 10 days, have now been published showing a sense of reponsibility and sobriety almost rivalling the Conservative Party. The aim is to use television coverage of the conferences to build on the sharp rise in Alliance opinion-poll support during the summer.

Following discussions of a joint group on campaign themes the slogan at both conferences will be: "The Only Way to a Fairer Britain."

Few major headaches are expected for the leaderships, although there always tend to be unexpected squalls. For instance, the SDP faces a lively debate on strategy next Tuesday and a possibly close vote on whether to urge a freeze on future nuclear weapon deployments. A number of leading Alliance figures are now supporting the campaign for a freeze, which is backed by the Liberals though not yet by the SDP.

At the Liberal assembly there will be debates over proposals for the regular re-election of the party leader, likely to be defeated, and over the status of the joint Alliance commission report on the future of Northern Ireland. Against the leadership's advice, the Liberal assembly in 1983 supported the eventual goal of a united Ireland but the commission report took a more gradualist approach.

Unionists in offer on Anglo-Irish talks

BY OUR BELFAST CORRESPONDENT

NORTHERN IRELAND'S two main Unionist parties have made a direct offer to Mrs Margaret Thatcher, the British Prime Minister, to participate in a new Anglo-Irish relationship.

Their proposal, however, is seen more as an effort to frustrate the current Anglo-Irish dialogue rather than a serious offer of reconciliation.

The Unionist document, presented to Mrs Thatcher at a meeting at Downing Street last Friday, emanates from a joint working party established by the Official Unionist Party and the Democratic Unionist Party. This working group was set up to find ways of countering progress towards greater Irish involvement in the affairs of Northern Ireland.

The Unionist offer of participation in Anglo-Irish machinery has three conditions – that British sovereignty over Northern Ireland remains unaffected, that the Irish Government withdraws its territorial claim to Northern Ireland and that a devolved government "satisfactory to Unionists" is negotiated by the British Government and Ulster's political parties.

Neither party has released details of the proposal. The Rev Ian Paisley, leader of the Democratic Unionists, said they would only be prepared to comment once a response was received from Mrs Thatcher. It is known the parties proposed two levels of co-operation with the Dublin Government provided, of course, they achieved a suitable form of government

Ayr port investment to aid coal exports

BY MAURICE SAMUELSON

HARBOUR facilities at Ayr in south-west Scotland, are to be expanded and modernised to export 2m tonnes of Scottish coal a year, much of it bound for Northern Ireland's biggest power station, which is being converted from oil.

The expansion, to cost more than £2m, involves widening the harbour entrance to take larger vessels and the provision of stocking areas for the coal, which will come from nearby open-cast mines. Details were announced yesterday during a visit to the port by Mr George Younger, Scottish Secretary.

Mr Keith Stuart, chairman of Associated British Ports, said the expenditure was in addition to more than £3m, spent recently at Ayr, helping to make it "one of the most successful ports in Scotland."

Mr Malcolm Edwards, commercial director of the National Coal Board, said in Ayr that the recent decision to convert Kilroot power station in Northern Ireland to coal at a cost of some £90m, would save the country nearly £30m a year and help to free electricity generation in Northern Ireland from what had seemed likely to be an everlasting subsidy.

In four years' time, when Kilroot had been fully converted, the Northern Ireland Electricity Service would need 1.3m tonnes of coal a year, compared with just over 500,000 tonnes now.

The British coal industry, he said, had to adapt to capture this business, worth more than £60m a year.

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1978=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1984							
2nd qtr.	102.4	100.4	107	110.2	130.1	3,026	154.0
3rd qtr.	102.3	101.3	106	111.1	133.3	3,076	165.1
4th qtr.	103.4	101.2	104	113.6	164.0	3,103	166.5
1985							
1st qtr.	105.5	102.2	102	112.6	133.9	3,138	157.5
2nd qtr.	107.8	102.8	100	114.9	141.4	3,174	169.5
January	105.1	101.6	98	111.6	134.4	3,124	157.2
February	105.0	102.1	107	112.0	130.2	3,144	156.1
March	106.5	102.8	102	113.8	138.5	3,147	159.2
April	107.6	102.5	101	114.1	140.3	3,176	166.7
May	108.2	102.3	110	114.6	142.0	3,177	167.1
June	107.6	103.6		116.0	141.8	3,169	174.8
July				116.1	146.9	3,175	179.7
August						3,182	179.4

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Consumer goods	Invst. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1984							
2nd qtr.	101.6	96.8	105.5	98.8	107.6	97.7	18.0
3rd qtr.	102.0	97.7	104.6	100.2	110.8	98.2	16.2
4th qtr.	102.5	98.3	106.1	99.7	107.3	99.4	13.3
December	103.0	100.0	106.0	101.0	109.0	100.0	9.5
1985							
1st qtr.	102.2	101.3	108.9	102.7	112.1	98.9	13.8
2nd qtr.	101.8	102.6	113.2	103.4	119.9	99.1	18.3
January	102.0	100.0	109.0	102.0	108.0	98.0	11.7
February	102.0	101.0	108.0	103.0	112.0	99.0	13.2
March	102.0	102.0	110.0	103.0	117.0	100.0	16.6
April	102.0	102.0	113.0	103.0	119.0	98.0	17.9
May	102.0	102.0	114.0	103.0	120.0	99.0	19.9
June	103.0	104.0	112.0	104.0	121.0	100.0	18.8

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); excluding reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Resv. US$bn*
1984							
2nd qtr.	109.1	119.7	−1,171	−109	+1,543	97.3	15.51
3rd qtr.	109.9	122.7	−1,615	−363	+1,804	97.2	15.26
4th qtr.	119.7	129.1	−1,313	+424	+1,468	96.6	15.52
1985							
1st qtr.	120.5	128.5	−1,283	−535	+1,862	96.2	14.80
2nd qtr.	120.3	125.7	−222	+1,278	+2,361	97.9	14.11
February	123.6	127.5	−241	−12	+675	95.9	15.35
March	119.6	136.8	−977	−704	+260	96.3	13.53
April	121.5	129.7	−259	+242	+684	97.0	14.03
May	121.4	120.8	+252	+752	+835	98.0	13.98
June	118.4	126.9	−216	+284	+842	98.8	14.32
July	116.9	122.6	−56	+444	+693		14.26
August							14.26

FINANCIAL—Money supply M0, M1 and sterling M3, bank advances in sterling to the private sector (three months' growth at annual rate); building societies' net inflow; HP, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank advances %	BS inflow £m	HP lending £m	Base rate %
1984							
2nd qtr.	4.6	24.5	11.1	18.9	1,795	2,876	9.25
3rd qtr.	5.3	10.2	6.3	9.9	1,628	2,813	10.50
4th qtr.	9.6	24.3	13.4	16.9	2,492	2,946	9.63
December	12.2	27.2	12.1	22.4	1,004	972	9.63
1985							
1st qtr.	2.2	0.7	9.1	15.2	1,511	3,146	13.05
2nd qtr.	5.1	32.4	20.4	19.2	1,523	3,082	12.50
January	5.0	9.0	12.6	18.3	823	1,168	14.00
February	3.1	−5.0	4.6	13.3	474	1,013	14.00
March	−1.3	−1.2	9.2	16.0	214	965	13.50
April	5.4	22.2	18.8	19.5	507	1,061	12.63
May	4.2	33.2	18.4	17.7	615	1,042	12.63
June	5.7	44.6	25.1	20.2	401	979	12.50
July	4.4	19.1	8.3	16.8	650		11.50

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (1974=100); FT commodity index (July 1952=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	FT* comdty.	Strlg.
1984							
2nd qtr.	155.9	134.3	132.0	350.9	329.1	305.06	79.8
3rd qtr.	159.6	134.1	132.8	353.9	326.8	288.95	78.0
4th qtr.	164.1	140.1	134.3	358.3	326.8	289.64	74.1
December	165.3	143.4	134.9	358.5	327.6	289.64	74.1
1985							
1st qtr.	165.4	146.2	136.6	362.9	332.8	295.22	72.0
2nd qtr.	170.3	138.6	139.4	375.3	339.4	278.13	78.9
January	163.4	145.3	135.9	359.8	330.6	296.98	71.5
February	164.6	147.6	136.6	362.7	332.5	295.73	71.3
March	168.1	145.5	137.5	366.1	335.4	295.22	73.3
April	169.4	140.8	139.2	373.9	338.8	295.06	78.0
May	169.4	138.8	139.5	375.6	339.3	279.98	78.7
June	172.0	136.7	139.6	376.4	340.1	278.13	79.9
July		134.0	140.0	375.7	335.3	259.51	83.6

* Not seasonally adjusted.

Davy mill to shed 300 jobs

By Tony Jackson

DAVY McKEE of Sheffield, the steel-mill manufacturing subsidiary of the Davy Corporation, is to shed 300 of its 1,500 workforce. The company blamed overcapacity, competition from West Germany and Japan and unpaid debts by developing nations.

The company, which cut 350 jobs in 1983, said: "It is our intention to maintain the size of our business in Sheffield, in terms of turnover, and the ability to handle large contracts. However, we must reduce our operational expenditure to reflect the efficiency demanded by the market." It is not yet known whether there will be any compulsory redundancies.

The parent company, Davy Corporation, has had a patchy profits history since the onset of the recession. Profits in the latest year were up by more than 70 per cent, largely because of loss elimination in Germany, but were still only half those in 1979.

For the Sheffield subsidiary, a particular problem has been a £350m plate-mill project for Lazaro Cardenas in Mexico. A substantial amount of work has been undertaken on the project in Sheffield, but the construction contract has been subject to repeated delays by the Mexican authorities.

Davy McKee said as a result of market changes since the last bout of job losses in 1983 "we have been unable to keep our resources efficiently employed."

Computer deal for shipyard

Financial Times Reporter

HARLAND & WOLFF, the state-owned Belfast shipyard, will enter an agreement with two other European shipyards – Wartsila of Finland and Kockums of Sweden – to develop computerised methods of design and manufacture.

Harland & Wolff's centre for CAD/CAM (computer-aided design/computer-aided manufacture) has expanded at a rate of 50 per cent during the past two to three years, said technical director Mr Stewart Tennant. Work on product modelling has been based on the Steerbear system from Kockums of Sweden.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
6	7	8	9	10	11	12

Theatre

LONDON

Sweet Bird of Youth *(Haymarket)*: Lauren Bacall elegantly decadent as Tennessee Williams's doomed movie queen. Harold Pinter's direction and Eileen Diss's evocative designs contradict the play's lopsided reputation and place the central tussle between the star and her gigolo (Michael Beck) against a detailed canvas of small town Southern vengefulness by the sea (930 9832).

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl *(Adelphi)*: Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earthbound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Breaking the Silence (Mermaid): Another RSC transfer, of Stephen Poliakoff's account of his family's emigration from post-Revolutionary Russia, Alan Howard succeeding Daniel Massey alongside Jenny Agutter. *Ingeniously set in an Imperial railway carriage.* (236 5568).

The Mysteries (Lyceum): The theatre of Henry Irving and Joe Loss restored for theatrical performance after 40 years. Bill Bryden's NT production in three parts is not to be missed, one of the great events of recent years. All three shows played on Saturdays for this limited run. (379 3055).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (930 8681).

NEW YORK

As Is (Lyceum): The first play about AIDS makes gestures toward the whole community the disease affects and focuses effectively on the victim and his protective lover; but this Circle Rep production also has distracting artistic touches to patch over the play's lack of development once the disease is diagnosed. (239 6200).

I'm Not Rappaport (American Place): A better title might have been Mensch on a Bench for Herb Gardner's touching, funny and invigorating play about two oldsters embodied in Judd Hirsch and Cleavon Little who almost conquer the world when they think they are just bickering with each other. (869 4731).

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street *(Majestic)*: *An immodest* celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Brighton Beach Memoirs (46th St): *The first instalment of Neil Simon's* mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only *supported* Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the *feel of the sweet and hilarious* original between high-kicking and gaudy chorus numbers. (757 2626).

WASHINGTON

West Side Story (Opera House): Rex Smith stars in a revival of the durable *American classic that translates* Romeo and Juliet to a tough but tuneful hispanic New York neighbourhood. Ends Sept 21. Kennedy Center (254 3770).

The Iceman Cometh (Eisenhower): The latest from Peter Sellars' American National Theatre company is a revival of the O'Neill classic starring Jason Robarts, Barnard Hughes and Donald Moffat. Ends Sept 14. Kennedy Center (254 3670).

Tent Meeting (Terrace): A new play first performed at the latest Louisville festival takes a jaundiced view of religious revivalists. Ends Sept 14. Kennedy Center (254 9895).

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

Cinema/Nigel Andrews

'Come on, get happy . . .'

Desperately Seeking Susan directed by Susan Seidelman

Crimes of Passion directed by Ken Russell

Nightmare on Elm Street directed by Wes Craven

Subway directed by Luc Besson

Susan Seidelman's *Desperately Seeking Susan* is a d e l i c i o u s l y flibbertigibbet comedy, like a Manhattan meeting between Lewis Carroll and Dashiell Hammett. Set in the kind of Bohemian demi-monde which can sometimes guarantee deadly stasis on the screen—Warhol filming the beautiful people with comatose camera—this movie piles helium on oxygen and floats into an altitude all its own of poetic inconsequence.

Our Alice is Rosanna Arquette *(she of the beautiful duckling* face who graced *Baby It's You)* and she is led into her labyrinths of adventure not by a white rabbit but by a want ad in a newspaper addressed to a girl unknown. "Desperately Seeking Susan" says the mystery *cri de coeur* and begs for a *tryst at the Battery. Idle* curiosity piqued, Rosanna goes thither to snoop, glimpses Susan (Madonna in pre-superstar days) and her beau, and then—for the next 90 minutes—gets snarled in an adventure involving stolen loot, swapped identities, a conjuror in a Magic Club and Nefertiti's earrings. It all seems such a long way from her home life with a husband who sells bathroom fittings.

The story is a knock-on nonsense narrative hypnotising in its comic logic. How our *heroine inherits* Susan's talismatic jacket (with pyramid design on back); what she finds in a left-luggage locker whose key she fishes out of the jacket pocket; how she falls in love with a macho film projectionist (Aidan Quinn) living in a garret; how and why she runs around New York in a mauve tutu, carrying a birdcage after assisting a magician. These things will be revealed to you in a comedy that is as fast as lightning and as teasing as foreplay.

Seidelman's only previous *picture*, *Smithereens*, *was in the* paralytic-Warholian vein hinted above. Goodness knows what she has been eating for breakfast since then to produce this delight. The film boasts not just a snazzily scatty script but gloriously playful visuals: lollipop colours, polychrome filters and décor that turns New York into a rainbow city where innocent barmies clash by night. Lovely.

★

No one is innocent in *Crimes of Passion*. The heroine at large here is sultry-tough Kathleen Turner (of *Body Heat* and *Romancing the Stone*) and the film is directed by our own Ken Russell, seizing his best script in years and hewing it into scintillating black-comedy shape.

A brisk fashion designer by day, by night Miss Turner dons a blond wig and a potful of make-up to become a prostitute. In this guise she attracts the amorous attentions of an unhappily married young fraud inspector (he's been hired by Miss T's employers to look into her night life) and a loony preacher played by Anthony Perkins with glittering eye and grimy dog-collar. Perkins behaves as if he's just escaped from the jail sentence he got for *Psycho*. Irrepressibly Delphic and dotty, he stammers out lines like "Imagine you have spent a great deal of time on your knees, my child," and shows a frequent fondness for sharp instruments as an earnest of suspense to come.

The movie hightails towards its murder-bid climax via scenes of baroque eroticism, cheerfully risqué dialogue ("I never forget a face when I've sat on it") and even more inventively flashy colour filters (photography by Britain's Dick Bush) than in *Desperately Seeking Susan*.

Surely Russell should have realised years ago that he's better at this sort of pyrotechnic potboiler than at limning the lives of great composers. Is there any better moment in all cinema black comedy than when mad-eyed Perkins, about to puncture the terrified Miss Turner in a darkened flat, sits down at the piano and belts out: "Forget your troubles, come on, get happy!" Mr Russell should forget his troubles. We love him, we want him back and we even forgive him for *Lisztomania*.

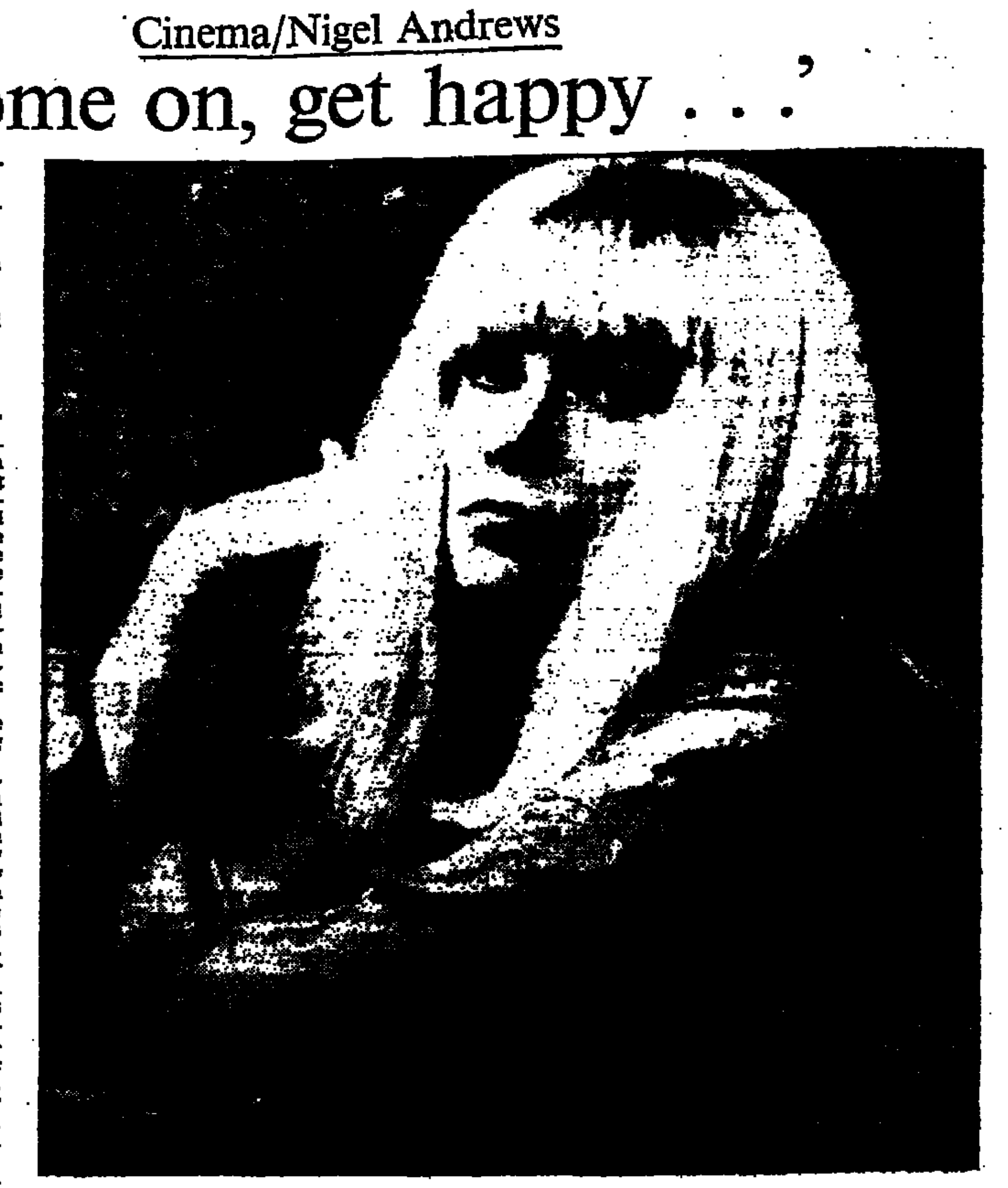
★

It has always been wise in my experience, when introduced to a homicidal maniac, to make some excuse of an alternative engagement. Director Wes Craven (of *The Hills Have Eyes* and *Last House on the Left)* clearly thinks likewise. *Nightmare on Elm Street* shows what horrible things can happen — impalement, evisceration and the like — when a psychotic killer wearing steel-clawed gloves roams a quiet residential suburb to the accompaniment of sinister music.

Will the children survive? Why is the heroine's blood-spattered girlfriend crawling around the ceiling? Will Mom (Ronee Blakeley) and Inspector (John Saxon) combine romance with the business of finding and foiling the maniac? You pays your money, you takes seats and you girds up your stomachs. Good of its kind.

★

Luc Besson's *Subway* is the fourth and feeblest pursuit picture of the week. Christopher (Tarzan) Lambert and Isabelle Adjani gad about a gleaming Sci-Fi-ish Paris Metro, pursued by a plotless plot involving skaters, florists, *flics*, assassins and rock groups. Flash trash from France: you come out humming the catchy set designs by veteran Alexandre Trauner.



Kathleen Turner in "Crimes of Passion"

Zubin Mehta conducts the New York Philharmonic at Lincoln Center, as part of The Festival of India.

Opera and Ballet

WEST GERMANY

Berlin, Deutsche Oper: Aida, sung in Italian, features Julia Varady and Nicola Martinucci. La Bohème is steered to triumph by Pilar Lorengar and Giacomo Aragall as leads. Der Fliegende Holländer is well cast with Janis Martin and Martti Talvela. (34381).

Cologne, Opera: The season opens with a Jessye Norman lieder recital, accompanied by Richard Nunn. The programme includes Handel, Brahms, Strauss and Ravel. (Thur). (20761).

Frankfurt, Alte Oper: Frankfurt Festival *offers a new composition*, the Sankt Bach Passion, by Mauricio Kagel. The Rias Kammerchor, Sudfunk-Chor und the Limburger Domsingknaben will be conducted by the composer. Soloists are Anne Sofie von Otter, Hans Peter Blochwitz, Roland Hermann, Peter Roggisch and Gerd Zacher. (Wed). (25821).

Stuttgart, Württembergische Staatsoper: Lohengrin, in a concert version, brings together Julia Varady, Eva Randova, Siegfried Jerusalem and Hans Sotin. Sir Georg Solti is the conductor (20321).

VIENNA

Staatsoper: La Bohème conducted by Mund; Lohengrin conducted by Stein with Gessendorf, Leonie Bysanek, Vogel, Jerusalem; Turandot conducted by Kulka with Marton, Ricciarelli, Ciannella, Cavalleria Rusticana and Pagliacci conducted by Fischer; Raymonda by Glazunov and Nurejev conducted by Schirmer; Cosi Fan Tutte conducted by Kout with Coburn, Daniel, Watson. (5324/2655).

Volksoper: Millöcker's Der Bettelstuden; Lehar's Das Land Des Lachelns; Strauss' Vienna Blood; Lortzing's Der Wildschütz. (5324/2657).

NEW YORK

New York City Opera (NY State): The week features a series of five performances of The Merry Widow with Leigh Munro and Claudia Cummings sharing the role of Sonia conducted by Imre Pallo in Ronald Bentley's production last seen in 1983. Other performances include *Manon, conducted by Jose Serebrier*, in Tito Capobianco's production last seen in 1980, and The Mikado-Lincoln Center (870 5580).

TOKYO

Balinese Dance and Gamelan: The renowed Peliatan troupe; subject of literature and film, influential in the *dramatic* theories of Antonin Artaud who saw them in Paris in 1931. Led by their founder Anak Agung Gede Manders, now aged 80, this is the first Japan tour of the famed ensemble. The programme includes the most famous Balinese dances: Legong, Baris, Barong, Kecak. National Theatre. (Mon, Tue). (580 0031).

Music

NEW YORK

New York Philharmonic (Avery Fisher Hall): The season opens with a gala benefit celebrating the Festival of India. Zubin Mehta conducts, Ravi Shankar is sitar soloist in a programme of Shankar, Ravel, Beethoven (Wed); Mehta conducting, L. Subramanian violin, John Cheek bass baritone: Copland, Subramanian, Sohal (Thur). Lincoln Center (874 2424).

VIENNA

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and Light Opera. Musikverein (65 81 90). (Thur). Sofiensaal (Tue).

Vienna Bach Soloists led by Ernst Wedam: Bach, Handel. Minoritenkirche (Thur). (63 55 75).

TOKYO

Thomas Muller-Pering (guitar): Bach, Scharlatti. (Mon). (Luther Ichigaya Hall); Thurs: Rodrigo, Henze, Albeniz, Vario Hall, near Tokyo University (918 1890).

Kyoto Symphony Orchestra, conducted by Seiji Ozawa: Takemitsu, Tristan Murail, Murray Schafer. Showa Women's College, Hitomi Memorial Hall. (Tue). (574 0989).

Israel Philharmonic Orchestra, conductor: Leonard Bernstein. Brahms and Bernstein. NHK Hall. (Wed). (723 2356).

LONDON

BBC Scottish Symphony Orchestra conducted by Jerzy Maksymiuk. Mozart, Martin Dalby and Tchaikovsky with Iona Brown, violin. Royal Albert Hall (Mon). (589 8912).

BBC Symphony Orchestra conducted by Lothar Zagrosek with Anne-Sophie Mutter, violin. Mendelssohn, Brahms, Mozart and Johann Strauss II. Royal Albert Hall (Tue).

Swedish Radio Symphony Orchestra conducted by Esa-Pekka Salonen with Lena Hoel, soprano and Hakan Hagegard, baritone. Sibelius, Ingvar Lidholm and Mahler. Royal Albert Hall (Wed).

Swedish Radio Symphony Orchestra conducted by Sixten Ehrling with Shura Cherkassky. Stenhammar, Tchaikovsky and Prokofiev. Royal Albert Hall (Thur).

English Chamber Orchestra conducted by Jeffrey Tate with Isaac Stern, violin and Thomas Allen, baritone. Mendelssohn, Copland, Bruch, Mozart and Rossini. Royal Festival Hall (Thur). (928 3191).

PARIS

La Grande Ecurie et la Chambre du Roy conducted by Jean-Claude Malgoire: Bach, Schutz (Mon 8.30pm). Saint-Severin Church.

Michael Levinas, piano: One hour with Brahms (Tue 6.30pm). Sorbonne, Amphithéâtre Richelieu.

Jean Guillou, organ recital: Bach (Wed 8.30pm). Saint-Germain-des-Pres-Church.

Nouvel Orchestre Philharmonique de Radio France conducted by Moshe Atsmon, Dominique Merlet, piano: Mozart, Ravel, Honegger (Thur 8.30pm). Unesco, Hall 1.

All these concerts are part of the 20th Festival Estival de Paris (354 8496, 562 4080, 11am–7pm, Sundays excepted)

Paul Kuentz Orchestra and Choir: Brandeburg Concertos in different versions. (Tue 9pm). Saint-Severin Church (633 8761).

Exhibitions

PARIS

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 15.

WEST GERMANY

Munich, Staatsgalerie moderner Kunst, Prinzregentenstr. 1: German Art since 1960, 200 paintings, prints *and drawings by 13 artists from the* private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1–2: Nofret, the exhibition covering Women in Egypt. For its last stop in Germany, the *exhibition* will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov.

Aachen, Suermondt-Ludwig-Museum, Wilhelmstr. 18: 100 drawings, watercolours and plastics from Joseph Beuys, covering the fifties and sixties. Ends Sept 29.

BRUSSELS

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

ITALY

Florence: Palazzo Pitti (Sala Bianca): Modern masters from the Thyssen-Bornemisza collection: The pleasure to be had from this remarkable exhibition is that it reflects the taste and prejudices of one individual: one of the few left who can afford Corot, Manet, Gauguin, Picasso – and who is generous enough to send them to be exhibited in France, England, the U.S., Australia, Japan, and now Italy. This same collection, with a few exceptions, was seen at the Royal Academy in London last autumn. Ends Sept 29.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/2 39 78).

NETHERLANDS

Amsterdam Rijksmuseum Printroom Continuing its centennial celebrations, the museum has put together a revealing exhibition of 69 of its finest Rembrandt drawings supplemented by a further 60 by anonymous Rembrandt pupils and followers to illustrate the extent of the master's influence. Ends Sept 29.

Haarlem, Vishal. 100 of Jacques-Henri Lartigue's timeless photographs of moneyed France between the wars. Ends Sept 13.

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display *of Jugendstil creative genius*. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven friese depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

NEW YORK

National Academy of Design: Culled from the larger Royal Academy exhibit, this view of Edward Lear's *prolific career covers not only the* famous illustrated limericks and verse but also landscapes and ornithological studies. Ends Nov 3.

WASHINGTON

National Museum of American Art: 35 paintings by Alexander Hogue capture the American Southwest *through dustbowl and prairie in* highly stylised evocative works from the 1920s to the present. Ends Nov 3.

TOKYO

Modigliani: 130 works in oils, watercolours, and sculptures. National Museum of Modern Art, Kitanomaru Park (near Palace and Imperial *Hotels and parts of Tokyo's oasis* near the Imperial Palace). Ends Sept 29.

London Sinfonietta/Albert Hall

David Murray

The whole of a three-part Prom went to the London Sinfonietta on Wednesday night: riskily ambitious, given so few instruments to fill the hall, but by a choice of mostly wind-based music they got away with it. Janácek's nursery-rhyme cycle *Rikalda* at the start did sound faint, despite a cheerful performance; Radio 3 listeners will have enjoyed it more. The grim little *Berliner Requiem* of Kurt Weill (text by Brecht) reached further — hollow sonorities are a feature of it anyway—and committed singing by the male trio *helped, though there were* touch-and-go moments with pitch. That pair of pieces was neatly matched at evening-end with Bartók's *Village Scenes* and Weill's dance-band suite from *Threepenny Opera*, both of which made a fine clamour.

All those may count as Sinfonietta standards, and David Atherton conducted them with his customary flair. The solo wind playing deserved showers of compliments for which there is not space; but Linda Hirst and Mary King sang in the Bártok with persuasive ethnic passion, and in the Weill *Requiem*, Stephen Roberts was *powerfuly bitter in the "Second* Report on the Unknown Soldier." There was a relative novelty, however, which challenged the players brilliantly: Harrison Birtwistle's *Secret Theatre*, new last autumn (when Dominic Gill discussed it on this page).

Secret Theatre belongs in Birtwistle's output with *Silbury Air* and *Carmen arcadiae mechanicae perpetuum* (already Sinfonietta favourites), with which it obviously shares some musical devices. What nevertheless sets *Secret Theatre* a little apart from its companions—and has also prompted a new kind of soloistic writing *from Birtwistle—is its* plan of testing out the time-honoured solo - versus - accompaniment model. Throughout the piece, various players move up to join the "solo" ensemble, taking up the cantus in decorated unison, while the "continuo" band *rotates* background patterns and occasionally disgorges a subversive solo from the ranks.

It is intricately beautiful music, sown with ingenious surprises and strange reversals of mood. The massed solo line evolves hauntingly. Can Oliver *Knussen's Coursing* have supplied some inspiration?

Saleroom/Antony Thorncroft

Autumn offerings

Christie's of South Kensington began the task yesterday of dispersing the contents of the home of thelate Sir Arthur Bryant, the *historian*, on the premises at Myles Place, in the Close of Salisbury Cathedral. The opening session confirmed that buyers are prepared to pay exceptional prices at house sales.

In the furniture a George III mahogany taliboy sold for £8,500, as against a £3,000 top estimate; an 18th century satinwood occasional table in the style of David Roentgen was slightly above its high forecast at £6,500; and a pair of George III giltwood open armchairs did well at £6,000 (estimate £3,000-£5,000). All told the first session of the two day auction topped its high estimate by 10 per cent.

Sotheby's and Christie's in King Street may not be holding auctions in this tail end of summer but they are planning some major sales for the autumn. One of the most momentous is likely to be the musical instrument sale at Sotheby's on November 14, *which will include four* important instruments by Antonio Stradivari.

Most interest will be shown in the "Lady Blunt" violin. Made in 1721 in Stradivari's "Golden Period" it set an auction record for a musical instrument when Sotheby's sold it in 1971 for £84,000: it is likely to do the same again with its estimate of £800,000 to £1m. The "Wilhelmj" of 1725 also carries a mighty forecast — *£600,000-£800,000*, while the "Red Diamond" should also do well: it gets its name from its brilliant red varnish. The last time it appeared at *Sotheby's*, *in 1971*, *it made* £26,000. Its estimate now is £300,000-£400,000.

All have been sent for sale by a foreign private collector. There is also a Stradivari cello, the "Pawle." It dates from 1730 and should make over £500,000. All told this is the most import*ant sale for many years of musi*cal instruments.

Ch, tie's South Kensington is boosting its sales of militaria, and its auction September 20 underlines its more ambitious approach. Among the items on offer are Captain Oates's (of South Pole fame) helmet as an *officer of the 6th (Inniskilling)* Dragoons (£2,500-£3,500); a rare gilt metal parade cuirass of the Prussian Regiment of Garde du Corps, introduced in 1912 and in this case distinguished with the High Order of the Black Eagle (£3,500-£5,000); Peninsular War coats and other *items of the period (£1,000-*£1,500); and a set of uniforms of the Norfolk Yeomanry (£1,000-£1,600).

At Phillips next Wednesday the Fiat sports saloon that Mussolini gave to General Franco for a birthday present in 1941 is for sale at around £12,000, while Paul McCartney's 1972 Lamborghini carries a £14,000 estimate.

TECHNOLOGY

EDITED BY ALAN CANE

Icarus takes to carbon fibre wings

Human-powered transport has come a long way since Icarus, making bold use of advanced materials, reports Michael Strutt

WHEN Paul MacCready's pedal-powered Gossamer Albatross flew across the English Channel to France it seemed that the last frontier in human-powered transport had been passed.

But that flight by cyclist Bryan Allen in June 1979 also opened up more possibilities.

MacCready's bold use of new materials such as Mylar and Kevlar, the polyester film and polyamide fibre made by Du Pont, who sponsored the attempt, showed that pioneering human-powered craft could lead the way in the techniques of working with the new materials.

Last weekend's Zapple Festival of Human Power at Milton Keynes, Buckinghamshire, showed in microcosm the extent to which different industries, often based on metal technology, have yet to exploit those techniques fully.

Even the aircraft industry, which uses composites widely, is only beginning to use them seriously for loadbearing structures, as the designers of human-powered aircraft do as a matter of course.

The limits have to be explored for muscle-powered aircraft and vehicles precisely because of the limitations of the "power unit." Even an athlete delivers only about one quarter to one half a horsepower for sustained periods.

At Ontario Motor Speedway in 1978 50 mph was broken for the first time by two riders pedalling lying down in White Lightning (designed by Chris Dreike and Tim Brummer of Northrop University), a streamlined tricycle with a very light honeycomb shell. But the Vector (designed by engineers from General Dynamics) which in solo and tandem forms now holds the records at 58 mph and 62 mph, used glassfibre shells on steel frames.

The last few ounces of weight are not usually as crucial as overcoming wind and rolling resistance, so metal is still a staple material for these road machines. For instance, the three-wheeler entered at the Milton Keynes Festival by the Gifford Technology team—former Cranfield Institute of Technology students—featured classic pop-riveted aircraft construction of aluminium tubes and sheet aluminium brackets, with a glassfibre shell and solid carbon fibre wheels.

On water, a group of people rowing sleeker hulls is a way of pushing up speed, and the official record of 13.42 mph set by an East German rowing eight in 1976 still stands. But engineers now have turned their attention to carbon fibre hydrofoils and propellers.

Carbon fibre planes are the secret of the Flying Fish, jointly designed by Dr Alex Brooks, an aeronautical engineer and Dr Allan Abbott, a physician. Both belong to the California MacCready team.

In fact, the device—which earlier this year set a new unofficial record of 15 mph powered by Steve Hegg, an Olympic Gold Medal cyclist, is nothing like a boat. It consists essentially of a standard bicycle frame and cranks fitted to two horizontal foils, 20 in at the front and 6 ft at the centre.

Since it simply sank when not being pedalled at speed, it had to be catapulted into the water from the bank.

But it is in the air that the skills of design and working with new materials count so much more than sheer muscle power. The necessary lightness and performance can be achieved only by the most refined development and use of available technologies.

The competitions, sponsored by the British industrialist Henry Kremer with prize money totalling almost £250,000, has encouraged the aircraft teams to improve the machines steadily since the landmark day in 1977 when MacCready's Gossamer Condor took the prize for the first sustained flight.

A speed competition launched in 1983 has stimulated many new projects, including a three-person design in New Zealand which has a 100-metre wingspan.

The MacCready team set a new record of 20.55 mph with their Bionic Bat, a 55ft span, 31 kilo machine which uses stored electrical power (stored power produced while flying is allowed by the rules) to drive a pusher propeller. Then Gunter Rochelt of West Germany achieved 23.28 mph in his pedal-powered Musculair.

MacCready's 23.45 mph last December is still being ratified but meanwhile Rochelt has just completed a remarkable featherweight aircraft, Musculair 2—a mere 20 kilos—which looks set to push the record to 25 mph.

This elegant, 20-metre span craft is built almost entirely of composites. Its 5 in diameter main boom is of double-wound carbon fibre, pedal cranks and chain wheel are carbon fibre, the wings carbon fibre and foam covered with plastic film and the cockpit is of glassfibre and foam sandwich.

What else is there to achieve? Rochelt says that human-powered flight for the enthusiast rather than the pioneer few is still a long way off. But there is another goal—flight in a human-powered helicopter.

Four or five groups, in Europe, the U.S. Japan and Poland, are working on machines that might do it, and in the U.S. a $15,000 prize has been offered for the first to fly to a height of ten feet and hover within a prescribed 10 sq metre area.

The Flying Fish planing on its hydrofoils.

Mitsubishi shows the way in factory automation

Geoffrey Charlish reports on a highly efficient Japanese microchip plant

SETTING the pace for high efficiency low cost production of memory "chips," a plant run by Mitsubishi at Saijo in Japan. is entirely automated—from the bare silicon wafer through to the test and packaged part.

Mr Joseph Grenier, a staff member of Dataquest, the market research company, was recently shown round the plant, which has a capacity of 10m 64k (64,000 bit) dynamic random access memories (DRAMs) a month, using 5-inch silicon wafers as the starting point.

He reports that the plant cost $127m to build. A second unit, making 256k devices, was recently completed at a cost of $190m and has a capacity of 7m parts per month.

The 64k factory is on two floors, the lower housing wafer fabrication, the upper assembly and test. Mr Grenier reports that few people were to be seen on either of them.

The wafer fabrication, a "main and side road" layout is used with trackless, optically guided vehicles trundling up and down the main road delivering and collecting parts from input/output stations at the junctions with the side streets.

Down the side roads are the various semiconductor fabrication processes.

At the main/side road junctions, robots moving in the side streets transfer the storage cassettes of wafers from the guided vehicles to the various pieces of processing equipment. At no point in the production process do human operators handle wafers.

After initial testing, the wafers move automatically on a lift to the second floor where they are broken into the finger nail-sized chips and assembled into packages. Robots running on overhead tracks transfer the devices among the various test stations. Everything is automated, including encapsulation of the chips in their packages and "burn-in" (in which the devices are run for some hours to see if they develop early faults).

A hierarchy of computers controls the plant: a central processor talks to two further machines, one for each floor, and these in turn control the computers associated with each of the processes.

The Dataquest observer reports that the defect rate obtained in the Japanese plant was about five times better than normal.

Production time from bare wafer test is about three weeks, which Dataquest says "should be compared with the six to 10 weeks required for the usual U.S. fabrication cycle." Assembly and test takes about a week.

It is estimated that the plant is achieving a yield (percentage of good chips) of between 85 and 90 per cent for 64k DRAMS.

Reducing defects: even in full protective clothing, human being inevitably bring dust into the work area, and dust is the single biggest cause of defective chips.

Cardiff's microcomputer translates sound to crotchets and quavers

GREAT composers of the future should be spared the laborious task of writing out by hand their crotchets and quavers, turning instead to a microcomputer electronic pitch recognition system just developed at University College, Cardiff.

The system, consisting of a microphone, signal processor and graphics software, is capable of translating the pitch and duration of musical notes instantly into standard musical staff notation on a microcomputer screen — and storing and playing the notes back as required.

Cardiff University Industry Centre, which is dedicated to getting product ideas out of the lab and into the market place, has established a new company, Auditec, to handle the system.

Only two products have been developed so far, both for the descant recorder. One is essentially a computer game for young children, combining the system's note recognition capabilities with cartoon graphics and a library of tunes. The other is a serious descant recorder tutorial programme.

CUIC is also interested in developing the pitch processor's use in industrial and commercial fields, provided it can find a company willing to provide research and development funding.

It suggests, for example, that the processor could be packaged as a security device which would allow access only when it recognises a sequence of notes.

Equally, it could be geared to monitor the performance of industrial machinery, by signalling changes in the pitch of electrical motors.

ROBIN REEVES

U.S. sales contest over PBX

SMALL PRIVATE branch exchange contractors in the U.S. are being squeezed out of the distribution business by the big telecommunications companies as the demand for sophisticated office automation facilities increases.

According to a new report from Northern Business Information, small contractors have neither the facilities to sell and support office automation systems nor the financial power to fight protracted price wars. AT & T and the Bell telephone companies, on the other hand, are ready and able to provide their customers with sophisticated systems and have deep enough pockets to hang on as margins dwindle.

The report shows that shipments of private branch exchanges fell by 8 per cent between 1982 and 1984.

By 1989, according to the report, pbx distribution will be controlled by the Bell companies, AT&T, Rolm and Northern Telecom, large contractors and some process control companies selling pbxs as value added resellers.

Retail fashion stock system

A new control system for fashion retailers has been introduced by Retailer Computing Limited of the UK. Auto-Order monitors retailers' stock levels and allows automatic re-ordering of merchandise to maintain various lines of stock at the most profitable and cost-effective levels.

The system runs in conjunction with Retailer Computing's Autícket ticketing system, and uses a budget and stock file interfaced to its order file. Stock figures, sales information and a predetermined budget are used to decide what future orders should be.

ULSTER'S LINEN INDUSTRY

The continuing battle for mass appeal

By Anthony Moreton, Textiles Correspondent

A FEW weeks ago, Mr Pat Carruthers, managing director of Ewart Liddell, a leading Ulster linen weaver, received a phone call at his Dromore office, just outside Belfast, from the Savoy Hotel in London complaining of fading in some of the famous pink damask tablecloths used in the hotel's river restaurant.

The durability of the end-product

Gathering his colour samples together hurriedly, for the Savoy is a valued client, Mr Carruthers sped to London and, on arrival, was taken into the hotel's linen store to be shown the offending items.

There was, indeed, some fading but, fortunately for Mr Carruthers, it was established that the tablecloths had not been made by Liddell.

Because the tablecloths had their year of manufacture woven in Mr Carruthers was able to discover they had been made, elsewhere in Ulster, in 1949.

The story illustrates two of the problems facing the industry: the durability of the end product, whether tarpaulins, clothes or tablecloths; and linen's top-of-the market image.

"We have tried for years to get a mass-appeal for linen, especially in clothes," Mr Carruthers says, but with little success.

"Marks and Spencer tried linen garments but people tended to return them complaining about bad creasing.

"Linen does crease. So if you buy a linen suit or dress you have to have the self-confidence to carry this off, knowing other people will realise you are wearing linen and that it is an expensive garment.

"The shopper in the mass-market chain, paying £19.99 for a jacket wants the crisp look associated with easy-care synthetics. She does not want creases. Getting through to the mass market is very difficult."

Despite these problems linen has been making a strong recovery in the past few years after a period of at least 15 years in the doldrums. The industry is investing heavily, putting on more workers and exporting over half its £100m-a-year output.

Despite the problems of creasing linen has many admirable qualities, not least its ability to absorb fluids. It is this which makes it the best fibre available for tea towels, napkins and tablecloths.

To meet the challenge of other European producers, especially the Italians, the world leaders, and the French some £35m has been invested in Ulster over the past two years alone, with Herdmans of Sion Mill, near Strabane, accounting for some £10m of this.

"We have been able to do this," according to Mr James Herdman, chairman, "because we have been making decent profits after a long time in the doldrums.

Weaving at the John England factory in Belfast.

"If we could get the exchange rate right in our major markets, Italy, Belgium and West Germany, we really would have a bright future."

Others have been investing steadily, too. At Ulster Weaving, in Killyleagh, £1.7m has been spent in the last 18 months and another £2m before that; Liddell has invested over £2m; and at Ballievley Bleaching a new dyehouse, effluent works and boilerhouse costing some £2m have been put in.

Such investment would have been almost inconceivable only four or five years ago. Poor marketing and an over-reliance during the 1950s and 1960s on old-fashioned production methods had allowed the Italians, Swiss, French and Germans to leap ahead of an industry that was once paramount in Europe.

As continental producers incorporated style and flair into their products the Ulster industry continued to think the market ought to buy what it produced rather than produce what the market wanted. Tablecloths, tea towels, tarpaulins and Mail-bags continued to dominate Northern Ireland thinking and production.

"The industry had become far too machine orientated," Mr Peter Larmor, chairman of Ulster Weaving and head of the Central Council of the Irish Linen Industry, admits. "We simply did not take enough account of what the market wanted."

Another company chairman, who preferred not to be named — surprisingly uncommon in the province despite its political problems — said that between 1912 and 1967 his company had worked the same looms.

Part of the reason for this outdated management approach lay in the heavy concentration of family concerns in the industry. Liddell is virtually the only company that is part of a large group, in its case Vantona Viyella.

New young managers, such as James Herdman, in his 30s, have helped reverse the decline. So, too, has the growing attraction of natural fibres among European buyers. Flax, from which linen derives, is the only fibre indigenous to Europe.

But the most important factor has been the awareness within the industry of the need for a greater fashion content in linen clothes. Here, the Italians were the undoubted leaders, but Ulster has learned the lesson.

It has also learned that much better marketing is necessary. The younger managers have allowed linen to think big.

Mr Simon Haselden, chairman of Spence Bryce, has engaged Amanda Knight, a young designer, to help revamp the range. "We have introduced new novelty ranges," he says. "It is the only way to stay ahead of the market. You have to go with fashion because at the top end of the trade there is a lot of added value in linen.

"Countries such as Czechoslovakia and Poland can produce cheap, run-of-the-mill products in larger quantities than we can. So we must concentrate on those areas where we have a recognisable lead."

To some, though by no means all, the problem of creasing has to be tackled. "Some of us are keen to find a way of eliminating it," Mr Larmor says. "It can be done, with the application of resins to the fibre. The trouble is that such a treatment produces a brittle cloth which wears badly. We are spending a lot of money to find a solution."

With many of the production and marketing problems being put right, the main threat to the industry is now an external one. The East European producers will continue to dominate the bottom end of the market because their pricing policies defy commercial logic. Low-cost Far Eastern producers will also continue to dominate areas such as handkerchief production.

The possibility that China might become a bigger producer is also causing some concern. "China," according to Mr Larmor, "used to be a big buyer of Ulster linen for use in embroidery. Now it is trying to spin and weave its own, possibly blending flax with cotton.

"The Italians seem to be giving them advice and the Japanese are thought to be putting some money up for research projects. If China does become big we could face serious difficulties."

The problem of creasing has to be tackled

Most producers in Ulster believe these threats can be contained as the outlook for the industry is encouraging. Employment may fall a little from its present level of 6,400 but any decline is more likely to arise from the introduction of new machinery than a falling-off in markets.

Linen is on an upswing, which has come as much of a relief to the industry after 15 troubled years as to the Government given the industry's important role in the regional economy.

SPOTLIGHT ON AN UNLIKELY U.S. GROWTH PROSPECT

Why school buses are big business

By Andrew Baxter

CORPORATE AMERICA'S relentless search for profitable new businesses, coupled with Reagan-inspired moves to cut costs, has put the spotlight on a neglected and seemingly unlikely growth prospect—school bus services.

Every schoolday, more than 22m U.S. children are carried to and from their seats of learning by about 350,000 buses whose bright yellow livery is a familiar sight on U.S. roads. To the outsider, mention of U.S. school buses might revive "bussing" controversies of the 1960s and 1970s, when tempers flared as schoolchildren were moved around to achieve racial balance. Bussing still continues, but otherwise little has happened over the past 20 years to merit attention from the media or big business.

The reality, however, is that school bus services are in themselves a big business. Annual expenditure for transporting pupils to and from school is estimated at $5bn. But surprisingly for a private enterprise country, about two-thirds of the business is in the hands of school districts, who buy, operate and maintain the buses. The remainder is privately owned and operated under contract with the local school boards.

These proportions have remained remarkably constant over the past 15 years, in sharp contrast to the situation in Canada, where private operators have been able to claim cost advantages and taken at least 70 per cent of the market.

There is considerable debate in the U.S. over whether there will be a similar shift south of the border, with some seeing a clear parallel with the privatisation of waste management services over the past 20 years. On the other hand, there is general agreement that the contractor-owned section, at least, is ripe for change.

According to figures compiled by William Blair, a Chicago-based investment bank, the private sector numbers 10,000 or more contractors with an average of eight or nine buses each. Only a handful of companies have fleets of more than 575 buses.

On a state-by-state basis, the picture varies widely, with private contractors running all school bus services in Nevada and Rhode Island and none in North Carolina, according to Blair's figures. Even free-wheeling Texas introduced laws allowing private contractors only last year.

The private sector's hold on the business is therefore extremely patchy while its ownership is diffuse. "This is the kind of fragmented industry that is subject to being coalesced," says Mr Henry Jicha of Toronto-based broker Wood Gundy.

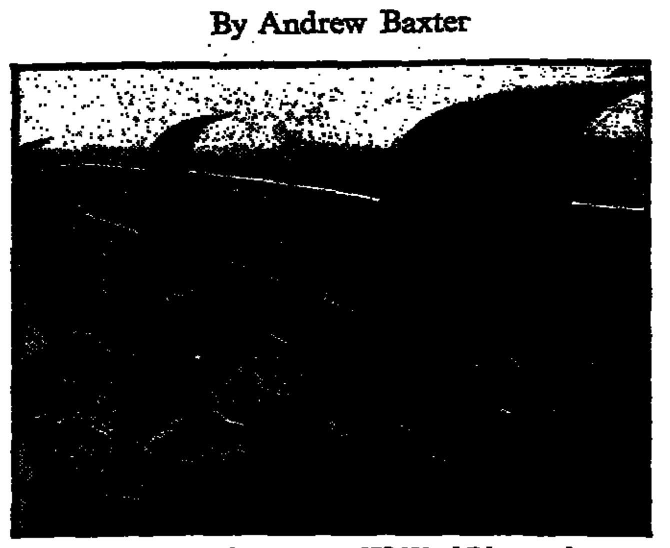
In the past year, this process has already begun. Laidlaw Transportation, a Hamilton, Ontario-based group that has expanded rapidly into the school bus business in Canada, strengthened its position as the largest operator in North America, by buying last autumn the U.S. school bus business of ARA Services, doubling its bus fleet to more than 8,000 units.

The company is now busily snapping up smaller operators in the U.S., and over the past year has doubled annual revenues from school bus services to about C$200m.

Around the same time, Mayflower, a U.S. transportation group, made its debut in the school bus business by buying for $24m the privately-held R. W. Harmon & Sons, the second biggest U.S. operator with a fleet of more than 2,700 buses. It, too, is now buying smaller bus businesses as contracts with school boards — generally for three-year periods — come up for renewal.

Both companies see benefits from moving into the school bus business. In the case of Mayflower, R. W. Harmon's steady profits stream counterbalances its removals activities, whose fortunes tend to follow the general level of economic activity. As Mr John Burnside Smith, chairman and chief executive, said in London recently: "Kids go to school in good or bad times." Conveniently, the summer vacation in the schools coincides with the busy period for removals, smoothing the seasonal fluctuations in earnings so abhorred by Wall Street.

Several factors are combining to give the bigger companies with experience in transportation an advantage over the little men. Economies of scale, not only in buying buses and tyres more cheaply but also in negotiating a better deal on insurance, are a key element.



R. W. Harmon buses carry 275,000 children a day.

Mrs Karen Finkel, executive director of the National School Transportation Association, which represents private contractors, says that "insurance has really skyrocketed and it is very difficult and expensive for people to get." She notes that many of the larger companies are self-insured.

Secondly, the financial muscle of the larger companies gives them the ability to maintain a modern bus fleet, which is likely to impress school boards on safety grounds, while their size and banking connections offer leasing opportunities that help reduce the capital expenditure needed to buy buses.

The smaller operators, in contrast, might face a hefty bill to replace their ageing buses. Most are thought to be family businesses, perhaps with ageing managements and no successors.

All this puts the larger companies in the driving seat when a school board, anxious to reduce costs, is considering to whom it will award a contract. If the big company wins, it can buy out the vanquished contractor's buses. Alternatively it could arrange a management contract and participate in the business without the capital cost.

On the more vexed issue of the possible increase in the private sector's slice of the business, opinions vary. Both Mayflower and Laidlaw not surprisingly, perceive a growing trend towards privatisation, and say school boards are increasingly asking themselves whether they should be involved in transportation.

Similar thoughts have crossed the minds of school authorities in other countries, notably the UK, and, as ever, the question of cost comparison appears to be crucial. Mrs Finkel, for the private contractors, says: "A lot of people feel there is a move towards contracts just because it is more cost efficient." She cautions, however, that a trend towards a bigger private sector appeared to begin 15 years ago but fizzled out.

In contrast, Mr Paul Stewart, president of the National Association of State Directors of Pupil Transportation, sees no big move towards an increased private participation, and says: "I'm convinced that the public sector can do the job economically."

The big operators believe they can undercut the public sector by around 10 per cent. William Blair's analysis, meanwhile, says that studies of similar municipal services show that it is, in general, "more costly, sometimes significantly more costly, for the public sector to perform specified services. It remains to be shown whether that is the case with school transportation."

While the outlay on school bus services is only a small part of the roughly $105bn spent on public education each year, the pressure on states and school boards to cut costs is generally recognised as one small part of the U.S. Administration's faltering attempts to trim the U.S. budget deficit. Tax reform proposals may have the effect of squeezing school boards further.

One cost advantage for school boards in contracting out is on the employment side, where retirement costs would be transferred to the private concern. On the other hand, there could be political and trade union objections to privatisation, as has happened with similar municipal services in the UK.

All this prompts William Blair's Mr Tom Postek to conclude that at present the already privatised portion of the market will provide the main growth opportunities.

As for the profits that new entrants to the market can expect, the general consensus seems to be that no one is going to make a fortune but the business does produce steady profits. Mr Jicha says the private company can earn a net return of some 5 to 8 per cent of sales.

Then there is the question of growth prospects in the market itself. The fall in the U.S. school population from the post-war "baby-boom" years might suggest that the market is shrinking. In fact, annual spending has risen by an estimated 13 to 15 per cent for many years.

Expansion of suburbs and school amalgamations due to falling enrolment in some areas has made for longer distances between home and school, and the days of long walks to school are virtually over. These factors have been mainly responsible for an increase in pupils bussed at public expense from 42 per cent of the total school population in 1968 to 57 per cent in 1982. School bus totals have risen from 262,600 in 1972 to 329,100, 10 years later.

Statistics suggest the fall in the school population is coming to an end, and that there may even be a slight rise in the next few years. Considerable growth is expected in the much costlier services for handicapped children, who generally use smaller buses and require special equipment and care. This will more than offset an expected decline in bussing for desegregation.

Whether the private or public sector takes fuller advantage of the opportunities remains to be seen. At least there is one thing that no-one is planning to change — the colour of the buses.

FT REGIONAL REPORT

AROUND BRITAIN

DONCASTER

Labour skills and business traditions are being promoted to counteract falling employment

Repairs at British Rail's waggon shop

The former International Harvester tractor factory, now part of J. I. Case, seems to have a more secure future

Trying to find a sharper image

By Nick Garnett

THE Metropolitan District of Doncaster has discovered rather belatedly that it needs an economic development unit with its own separate image. Such a unit is now on the stocks.

It is Britain's biggest metropolitan district in area, encompassing 290,000 people, but has been enduring an unpleasant contraction of employment base and there is worse to come. With a still substantial, though shrunken, manufacturing network of companies, a rich vein of skills and long tradition in business start-ups, the South Yorkshire town and its surrounding townships and villages badly needs a sharper image.

The loss of several big manufacturing names over the past seven years, steep decline in jobs among its unusually large cluster of eight companies employing around 1,000 people or more and two severe unemployment blackspots in Mexborough and Thorne present difficult challenges.

The local authority believes it is hampered by a persistent underestimation by the Government of its severe problems, particularly as its western mining areas will suffer substantial cuts in jobs over the next few years.

With an unemployment rate of almost 19 per cent, the district has Intermediate Area aid status apart from Mexborough, Conisbrough and Denaby, which are covered by the top-rated Development Area grants. In these areas unemployment is probably closer to 25 per cent.

Doncaster has a host of positive features to promote. One is its importance as a wealth creator and retailing centre for a catchment of more than one third of a million people. *This was recognised by* Sainsbury's, which opened its first northern store in *Doncaster*.

Another is the district's surprisingly varied geography. It stretches in the south to the pretty former coaching town of Bawtry close to the boundary with Nottinghamshire, set among Forestry Commission plantations. In the east are the flatlands with isolated and rural villages *some of* which have closer affinities with Humberside.

The circle of pit villages around the town of Doncaster elongates outwards in the west to encompass some dour manufacturing and coal-mining districts, which share some of the physical characteristics of the county's Sheffield-Rotherham-Barnsley *industrial* heartland. In the north, Doncaster reaches the *farming and coalmining* areas of West Yorkshire.

Another strong point is communications. Doncaster is a surprisingly short 1½ hours from London by the fastest trains. It is also within easy motorway driving distance of the Humberside ports as well as being alongside the A1 and close to the M1.

The South Yorkshire Canal, running through the district, which can handle sizeable barges and cargo vessels, has been the subject of a recent £16m widening and improvement programme. Doncaster has a wharf area at Gashouse-Bight.

The town has escaped the kind of dereliction and housing decay that befalls many urban areas. It has some unattractive terraced housing and there are some housing pressures in the mining villages, but this is on a relatively small scale. There are also substantial pockets *of* up-market housing in suburbs like Bessacar and in *the farming* villages. Doncaster receives the lowest of the three-tier grants from *Urban* Programme funds.

The district is not over-endowed with cultural and sporting facilities. The latter will be bolstered however if a £22m sports complex on 300 acres goes ahead. Doncaster Races, which has 22 days racing a year, is the home of the St Leger.

Coal mining remains one of the district's principal strengths *but also its* Achilles *heel*. The National Coal Board is the biggest *employer in* Doncaster, where it has its area headquarters. Coal mining has also spawned related businesses in the district such as Mining Supplies, manufacturing a range of equipment including conveyors and *power drive systems*, and Cementation which has its mining *division* headquarters in the town.

But the coal industry is providing steeply declining job opportunities. Within the district's political boundaries the economic life of half-a-dozen villages are based directly on local pits, but the influence of the Coal Board on jobs for Doncaster's workforce and economy stretches much further.

Total NCB employment (excluding white collar staff) in *the board's* Doncaster area which stood at almost 13,400 early *last year* is expected to fall to between 9,500 and 9,800 by next year. Apart from that planned rundown, the NCB has warned miners at the Yorkshire Main colliery in Edlington that the pit will close unless productivity *rises*.

As the coalfield moves east, *planned mining developments* at Thorne will not compensate for these job losses, which are putting severe pressure on some mining villages.

The miners' dispute was a bad blow to the district's local economy and blackened Doncaster's labour relations image. Most companies there operate with little labour friction.

Doncaster has been more fortunate with British Rail Engineering (Brel) the second biggest industrial producer. As Brel continues to eliminate capacity the Doncaster site has been a haven of employment stability, *though its workforce* is due to drop by 350 over the next 18 months *from its present* 3,100.

This will be Brel's third biggest site after the closure of Swindon, and is benefiting from the electrification programme for the East Coast route. It is building class 58 locomotives, and long-rail welded waggons and this year won Brel's first repair contract (*for* 450 *freight* waggons) on the basis of competitive tendering with private builders.

Mrs Barbara Bradbury, Doncaster's *industrial promotions* officer, has been working hard to *fill gaps left by companies* which have closed or contracted. *The moderate Labour-controlled* council, however, needs to provide more money and manpower for this task.

In an 18-month period between 1980 and 1981, Doncaster lost 8,000 manufacturing jobs. In the past decade plant closures have included those of GEC, British Mohair Spinners and the Fairbrother Textile Company at Thorne. Doncaster has seen the loss of Burton, two sweet manufacturers Nuttalls and Parkinson, and lawnmower manufacturers Ransome Simms & Jefferies.

The two benefits resulting from these closures are that *there is a wide range of human* skills available to incoming companies and a broad spread of industrial and commercial properties.

The council has a substantial industrial estate development programme and units on the market range from 400 to 130,000 sq ft.

Big and small but no middle

DONCASTER'S industrial structure is characterised by top-heaviness of big manufacturing *sites*, a *reasonably* well developed patchwork of small businesses but a dearth of companies employing between 300 and 800 people.

Aside from the Coal Board and British Rail Engineering, Doncaster has a clutch of companies employing 1,000 to 2,000 people, including some of the biggest names in British industry.

International Harvester, now part of J. I. Case, employs 1,850 making tractors of 46 to 90 hp at its Wheatley Hall site. Local management appears confident that Doncaster will remain unscathed in future rationalisation by Case and that there is some possibility that its nearby Carr Hill site, closed a few years ago, might reopen.

Bridon, one of the world's leading companies in wire, wire rope and fibre rope employs almost 1,900 in Doncaster, where it has its headquarters.

Pegler-Hattersley, which employs 1,300 in Doncaster and also has its headquarters there, manufacturers a vast range *of valves, taps and* compression fittings, many of them in brass.

ICI Fibres, with a workforce of 1,200, makes nylon yarns and has a wide range of products including industrial sewing threads used in conveyor belt reinforcement, and *carpet yarn*.

Rockware, with just under 1,000 employees, manufactures glass containers for a range of products from soft-drink to cosmetics.

Some of these bigger companies like Bridon have kept employment relatively stable. *Others like IH and* ICI have implemented drastic cuts.

A cluster of companies have smaller workforces. S. R. Gent, the clothing manufacturer, has sites in Doncaster and Mexborough and a lighttion in Denaby.

Crompton Parkinson employs 500 people making fractional hp motors for industrial *equipment and domestic* appliances. It also has a lighting division with a workforce of more than 300.

Other companies include Polypipe and Bartol, which make plastic plumbing, Pilkington's glass-polishing site and Paragon Plastics.

While trying to encourage inward investment the district council has also been trying to encourage local small *businesses*. *In co-operation* with the chamber of commerce a business advice centre has been set up.

DONCASTER 2

The fortunes of some of the area's leading employers are examined on these pages by **Alastair Guild**

A scheme has been approved to re-open Thorne Colliery, where £30m has already been invested

NATIONAL COAL BOARD

Fightback to overcome £80m pit dispute toll

MR TED ROBSON, the National Coal Board's deputy area director for Doncaster, does not hide his disappointment at the effects of the recent dispute.

"We lost 25 per cent of production capacity and suffered more than any other area. We are now trying to put pits back into order and to redevelop and re-equip faces."

The replacement value of equipment lost will be more than £20m. The financial loss attributable to the *total cost of* recovery in the area could reach £80m by the end of the present financial year. Mr Robson emphasises also that the cost of pit recovery has reduced the amount of capital investment available.

"During the dispute there was virtually no safety examination by the National Union of Mineworkers and they picketed out other safety staff. Management provided the only safety cover. Crush and geological deformation on the faces and underground roadways resulted, because of the average depth of our coal seams of 800 metres."

Pits in the area have always suffered from high occurence of spontaneous combustion. Seams can burst into flames by their own oxidation, and more methane than usual is released as coal is cut.

"During the period of recovery, we have had to take a long hard look at what we had left. The cost of recovery *in* some faces was greater than the value of the reserves left. These faces have been sealed off."

The Doncaster area needed 40 faces to satisfy demand from customers. There are likely to *be 29 faces remaining,* but their performance is expected to be relatively greater once the investment programme is complete and the workforce streamlined.

The area is cutting its workforce of more than 10,000 by 2,500 before the end of March 1986. Most of these have already left. Plans cover this reduction by transfers and voluntary redundancy, with the level of manpower reductions in the *following year depending* on improved colliery performance.

Productivity has already improved dramatically. The area's output before the dispute was 8.25 tonnes per man per shift. The neighbouring areas in Yorkshire and Nottinghamshire were producing 12 tonnes.

"We used to lose £300,000 worth of coal a year a through disputes. Unless our performance had improved by 50 per cent, we had a doubtful future. However, since the dispute, productivity has improved to the present base performance of 11.5 tonnes per man," Mr Robson says.

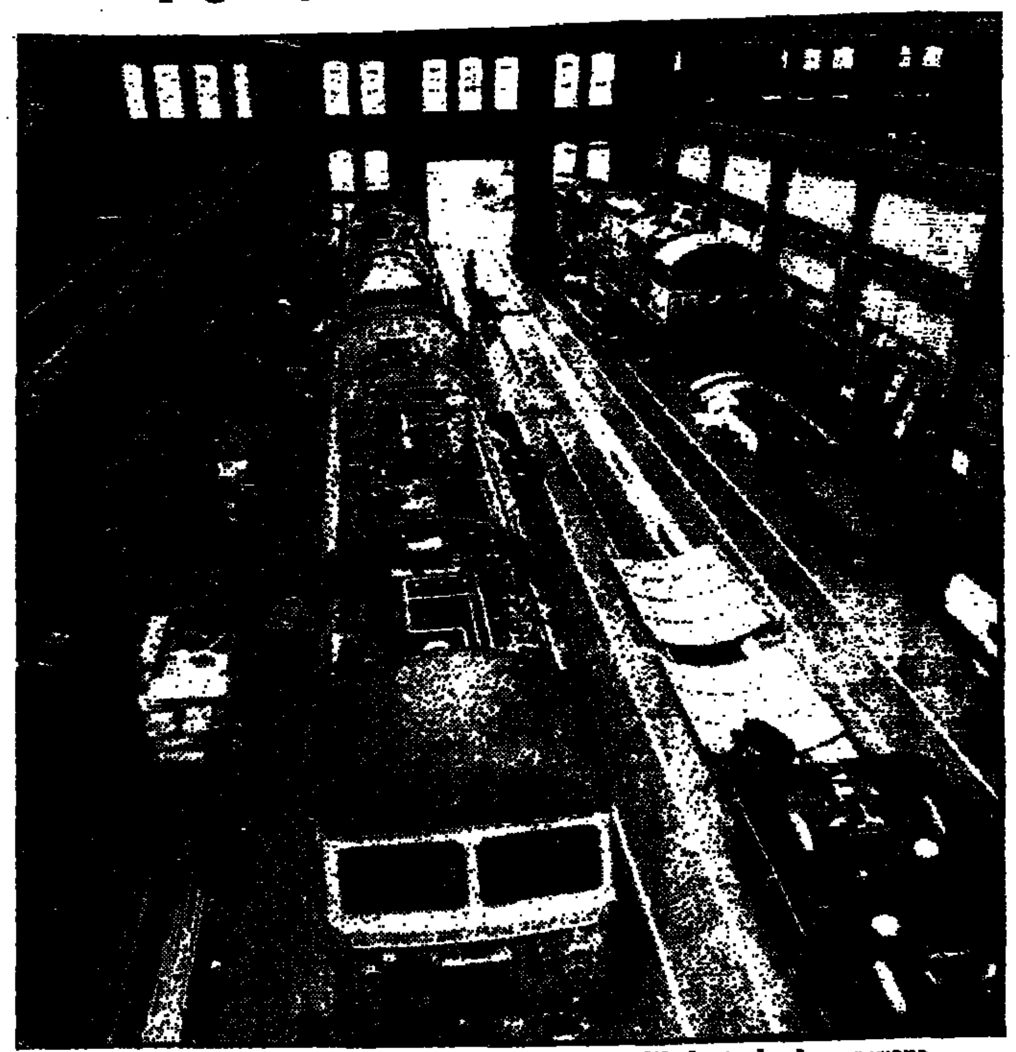
"We supply a variety of markets and we sell all the coal we produce. But we are competing with other areas, not so much on price as for NCB investment."

The area also has reserves that should last well into the next century, the majority of its pits having been sunk in *the 1920s.*

And the NCB has had an annual capital investment programme for the area of about £40m for some years. This year it is investing £38m on improvement schemes in the area including:

- £28m developing new seams at Frickley.
- Rossington Coliery to have new underground roadways and coal bunkerage.
- Major roadways to new areas of coal at Hickleton Colliery.
- £8m being spent on driving roadways to new areas of coal at Hatfield Colliery.
- Plans for a new shaft bottom and major new road drivages at Markham.
- Perhaps the biggest investment will be at Thorne, where the NCB has so far spent £30m. Thorne, sunk just after the First World War, but always had water problems in its shaft. In 1956 it was shut to contain the problem but in the late 1960s, when it was ready for re-opening, there was no great demand for its coal so it was left on a care and maintenance programme. A scheme has been approved for re-opening for production involving the sinking of a new shaft.

Mr Robson emphasises the importance of mining to the whole area. "It must be one of the biggest contributors to the local economy. The pits are all fairly close to the town. Doncaster is the centre of a circle of many satellite towns. Our wages bill each year is £85.6m. We pay rates of £1.9m and buy in services and materials of £43m."



Job losses at Brel's Doncaster workshops are likely to be less severe than others in the UK

PEGLER-HATTERSLEY

International group rooted at home

PEGLER-HATTERSLEY is one of that rare breed of companies to evolve into a truly international group while retaining its independence and its roots.

It had what Mr Harold Grace, the group's present managing director, calls "a classical 19th century romantic beginning." The original *family business* was founded by Alfred Pegler, a City of London merchant, who established the Northern Rubber Company in 1871. At the turn of the century, his son Frank established Pegler Bros *in Doncaster and Pegler and* Louden in Glasgow. In 1935, Peglers became a public company.

Hattersley and Newman-Hender, the two other public companies which came together with Peglers in 1968 and 1969 to form the group, were also established in the closing years of the 19th century, as were some of the smaller companies in the group.

Though still based in Doncaster, 40 per cent of group turnover arises outside the UK, including substantial interests in related companies in South Africa, New Zealand and Australia. Overseas operations contribute more than 30 per cent of group profit.

Its two main market areas are fluid control, including industrial valves, and building products such as domestic water fittings, radiator valves, rainwater pipes and guttering.

The group suffered from the 1980 recession and its workforce was cut from 7,000 to 5,000. The number employed in Doncaster has fallen from 1,800 to 1,200.

"Both areas were affected quite seriously, by the cut in capital expenditure programmes and the rise in sterling, which opened us up to imports," Mr Grace says. "But the group is now more efficient *and has returned to the same* level of profitability as before the recession."

It has invested heavily in new plant, particularly on the 21-acre Doncaster site, the base for the three companies form*ing the core of the building* products division.

Pegler, which manufactures house taps and heating controls, is the largest single company in the group. It has spent £2.5m on modernisation in *three years. The company plans* to further reduce product costs by the phased introduction of more flexible production systems, though the numbers employed in Doncaster ought to remain stable.

It has sought to expand into other, related markets. It recently bought Glasgow-based Satchwell-Sunvic, for example, combining that company's electronics expertise with the group's more traditional engineering skills. Pegler International, the export arm, will take over direct sales responsibility for Sunvic's £1.5m export business in heating controls.

Exports from Doncaster have also grown, with approaching *20 per cent of production going* overseas, and Pegler aims to achieve exports of 30 per cent this year.

Among orders recently concluded was a £350,000 deal to supply valves and compression joints for the Oman naval base, and the supply of valves for the Hong Kong and China Gas Co's gas lines and mains, worth £180,000 a year. It has also concluded a £1.5m contract with Algeria.

Though most sectors of the *UK building industry continue* to stagnate, Pegler is also taking a bigger share of that market.

BRITISH RAIL

Electrifying future lined up

THIS HAS been a mixed year for British Rail in Doncaster. On the bright side, BR recently opened a depot in the town to handle the construction of foundation and overhead lines for part of the £306m electrification of the coast line between London and Scotland.

Doncaster is one of the key points in the rail network. *The line divides there, one* fork heading for Leeds and the other for Northallerton.

BR, as main contractors, will employ a total of 150 men over the next five years, mostly labourers and engineers. *In 1988 some 60 jobs* will be created to man the permanent electrification maintenance depot.

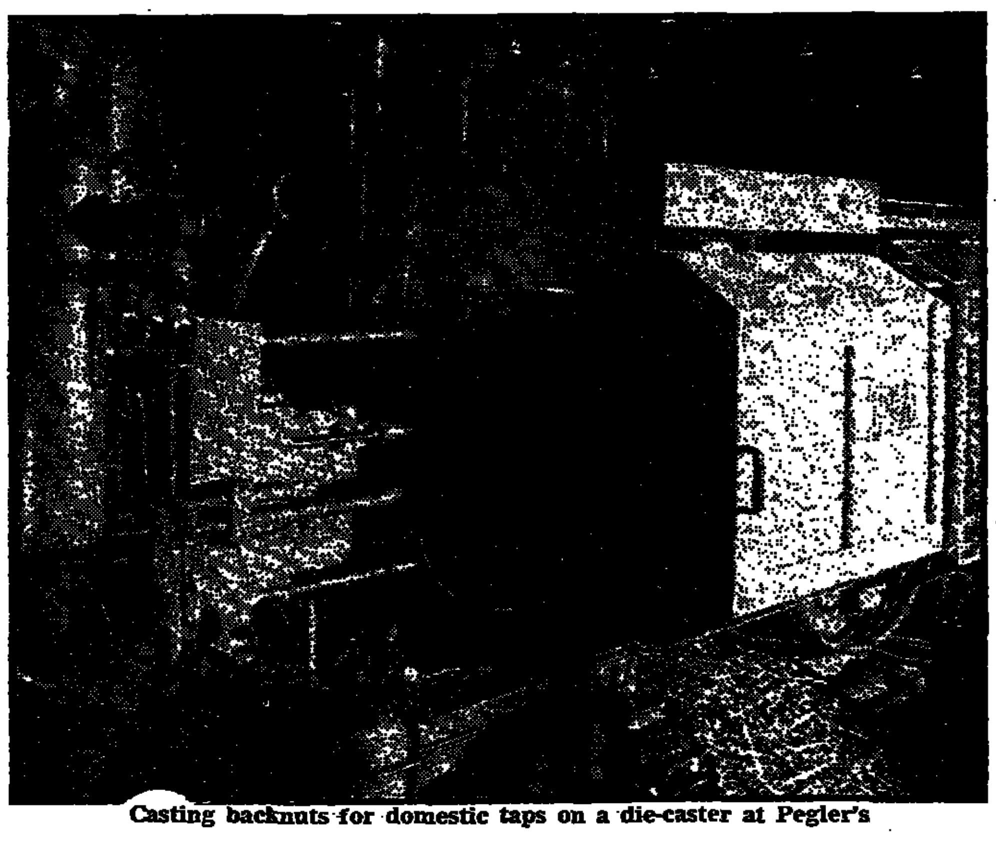
Job losses at BR engineering workshops at Doncaster are likely to be far less severe than at others in the UK. And employment levels on BR's operating lines have remained stable over the past few years.

"However, our future is very dependent on getting back business we lost during the mining strike," says Mr Mike Hodson, BR's area manager.

During the dispute, BR was 15 to 20 per cent short of its target for passenger traffic. It lost many passengers because so many people in Doncaster and the surrounding area depend—either directly or indirectly—on coal for their living.

BR also lost virtually its entire freight revenue and has not recovered all that traffic. In 1982 the Eastern Region moved 145m tonnes of coal, most of it within Yorkshire. Last year that was down to 40m tonnes.

"We face stiffer competition," Mr Hodson says. "We must be competitive."



Casting backnuts for domestic taps on a die-caster at Pegler's

BRITISH ROPES

Export orders provide signs of optimism

WHEN THE two sides in last year's miners strike gathered for talks at the Doncaster headquarters of British Ropes, it almost looked as though a settlement was possible. Mr Philip Walker, the marketing and sales director, and a few colleagues busied themselves arranging sandwiches for the negotiators, with the thought at the back of his mind of the worldwide publicity for his company should agreement be reached.

He would far rather the strike had never happened. As a direct result of the dispute, British Ropes says it lost wire rope orders of some 2,500 tonnes. And with the company looking increasingly to exports, Mr Walker finds that the dispute lingers on in the minds of some potential overseas customers.

"However, we are fortunate to have a strong base of customers who have taken our products in the past and who know that they are reliable," he says.

Last year's £750,000 investment in specialist plant to produce large-diameter cables for suspension bridges was perhaps the most cogent answer to sceptics in this country or abroad. The first order was for a six-lane highway bridge in Vancouver, with a main span of 465 metres and two side spans each of 183 metres. A total of 14,000 metres of rope, weighing 1,400 tonnes is being shipped from Doncaster, a contract worth £3m.

It is hoped this may be followed by an order from Mexico and a further order from Vancouver.

Other optimistic signs included a visit to Doncaster last September by officials of the China National Metals and Materials Import and Export Corporation and the Ministry of Coal Industry. They are jointly the world's largest purchasers or ropes. This followed an order the previous month for 1,000 tonnes of mining ropes.

British Ropes, a subsidiary of the Doncaster-based Bridon Group, is heavily dependent on exports, with 30 per cent of its high-carbon wire and 50 per cent of its wire ropes going overseas last year.

Half its carbon wire output is converted into wire ropes, the rest being used as strand for prestressed concrete, for spring manufacture and as strength members for submarine cables.

Last year, it received its largest order for STC's latest submarine cable system linking Australia, Indonesia and Singapore. This involved British Ropes' Doncaster and Wakefield factories as well as Bridon Fibres plants.

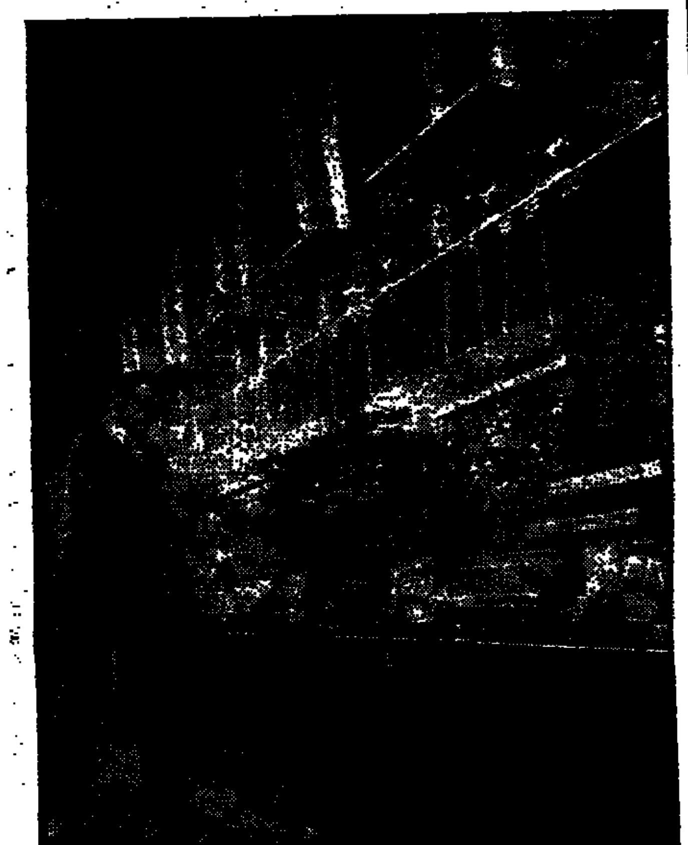
The Doncaster site accounts for 50 per cent of British Rope's high-carbon wire production and for the specialist output of wire rope for major structural work. British Rope's operations in the town have an annual turnover of £25m out of a total company turnover of £60m. Over the last three years it has spent £2m on updating equipment and consolidating its wire mills onto one site, making the new Doncaster factory one of the largest wire plants in Europe.

However, British Rope's UK workforce has halved over five years from more than 3,000 in 1980 to 1,800. This is mirrored in Doncaster, with a similar reduction to the present level of 700.

Since 1983 the UK market for British Rope's type of products has been static. However, last year the company's share of that market showed a 5 per cent increase over 1983, with a similar increase expected this year. Its increased domestic market share has been partly due to the closure last year of two of its main competitors.

"World demand for our products has been declining, but we have also had to rationalise and improve productivity," Mr Walker says. "The reductions in workforce have been achieved mainly by voluntary redundancies."

The Rockware factory at Wheatley. Doncaster produces about a fifth of the glass containers made in the UK and 40 per cent of the needs of the home food market. It employs about 1,000 people and is one of Europe's most advanced container plants



Spinning at the ICI Fibres' plant

ICI FIBRES

Profits on the increase

WESTERN Europe's man-made fibre industry is emerging from a decade-long recession and rationalisation triggered by the first oil crisis. Manufacturing plant, which needs to run at 80 per cent capacity to break even, has been running at much lower levels since 1973. In 1980, for instance it hit around 50 per cent.

"The whole industry has had to slim down," says Mr Brian Alexander, ICI Fibres' Doncaster works manager. "In the late 1960s and early 1970s, it believed that demand would continue increasing as it had in the 1960s. Then came the 1973 and 1979 oil crises which affected us particularly because our feedstock is an oil derivative, naphtha.

"The major producers have had to recognise that there needs to be structure in the marketplace. There are now likely to be at most three or four majors in a particular area of fibres, whereas 10 years ago there might have been as many as a dozen competing."

The volume produced by ICI Fibres as a division has remained steady over the past decade, but its workforce has fallen from 23,000 in 1973 to 8,500 in 1983. Doncaster's numbers have shrunk from more than 4,000 to 1,100.

The division has moved away from commodity products into higher value-added products. These are more sophisticated and difficult to make. Whereas 10 years ago it tried to cover the whole range of polyester and polymide man-made fibres, it now produces only goods it regards as profitable or strategic.

The Doncaster factory concentrates on polyamide (nylon) and devotes 30 per cent of production to continuous filament industrial products, ranging from sewing threads to yarns for liferafts, luggage fabrics and tarpaulin, to reinforcement for tyres and conveyor belts.

Recruited

Cut fibre such as yarns blended with natural wool for hand-knitting or non-woven products for shoe or suit linings forms about one quarter of production. The main part of output is used in carpet yarns, either as staple fibre or bulked continuous filament.

"The right nylon fibre used correctly can outperform wool on any set of parameters," Mr Alexander says.

Since 1980, ICI Fibres has invested more than £1m annually in improving machinery at Doncaster, both to increase volume of production and to improve the quality of the fibres.

"Production in 1985 will be 10 per cent up on 1984 and we now make higher specification products. In 1986, we expect to increase by a further 15 to 20 per cent. The factory uses some of the latest technology but it also has some of the oldest textile machinery in the country. Wih ingenuity, some of the older equipment can be used to make high-performance industrial or carpet yarns."

Manpower productivity has also improved, doubling over five years, and the division is showing increasing signs of profitability. Last year it moved back into the black after eight years in the red, having one year lost nearly £100m. In 1984, it made a £12m profit and expects to increase that figure this year.

There are other hopeful signs. The Doncaster factory, which since 1973 has not recruited process workers, last May took on 40. A further 50 are expected to join the company this month, with more vacancies possible in spring next year.

The company takes on six craft apprentices each year to become service fitters, workshop machinists, and electrical and instrument artificers. It has also taken 12 youngsters on a Manpower Services Commission sponsored youth training scheme to train them eventually as process operators.

J. I. CASE

Merger brings new air of confidence

WHEN J. I. Case, the U.S. farm equipment group, announced its takeover of International Harvester's worldwide operations last December, one of the first IH factories thought to be at risk was in Doncaster.

In the UK, combined market share had fallen to 18.5 per cent from 22 per cent in 1984. Case's top management attributed the fall partly to overlap in market strengths. In France, Case closed one of three plants, contracting another, with a total reduction of 700 in a workforce of 3,100. This resulted in an increase in market share.

So quite naturally, perhaps, the inhabitants of Doncaster put two and two together. Both Case and Harvester had large tractor factories—at Huddersfield and Doncaster respectively. Case, a subsidiary of Tenneco, the energy and manufacturing conglomerate, was unlikely to need both.

However the future of the Doncaster plant now seems secure. "With the takeover by Tenneco, there is a greater confidence in the viability of the Doncaster plant and the Doncaster product," says Mr Pete Chojnacki, formerly director for manufacturing operations, International Harvester Great Britain, and now general plant manager for J. I. Case, the intermediate name for the group.

With the merger, there are now three plants within the group producing tractors in the 45 to 82 horsepower bracket, at Doncaster, Meltham and in France. The company has already announced the phasing out of the 1194 and 1294 models built at Meltham to be replaced by tractors in the 50 to 70 horsepower range made in Doncaster. The 1194 and 1294 were found to be less cost competitive than the equivalent Doncaster models.

Automated

"So Doncaster has already benefited from the acquisition," Mr Chojnacki says. "The new dealer network is expected to pick up Doncaster models as replacement for the 1194 and 1294. By 1986, we should see a substantial increase in production at Doncaster."

Recent figures show a daily production rate of 55 units in Doncaster. "We have had to lay off workers because the demand has not always been there. During the fiscal year ending in November, we expect to have had 40 to 50 down days, but we do not expect any more next year.

However, there is not expected to be any major investment in new plant, either.

"We are nowhere near our plant capacity and not even in 1986 will we approach that," says Mr Chojnacki. The plant, which employs 1,476 in manufacturing, is already partly automated, particularly in the gear shop, which uses cell technology, and on the transmission and tractor assembly lines.

"There are now opportunities to improve productivity still further using the financial resources of the parent company Tenneco," Mr Chojnacki says.

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Tactics for the summit

IN THE countdown to their November summit, there will be much further manoeuvring for position by the leaders of the U.S. and the Soviet Union. But at this stage, Mr Mikhail Gorbachev seems, with a series of recent arms control gestures and in interviews with U.S. senators and journalists this week, to have stolen an early mach on Mr Reagan; he has presented himself, quite plausibly, as serious on arms control and potentially flexible on some of its key aspects, and the U.S. president as the revers. In short, he has done a good job of painting himself as Mr Reasonable and his White House counterpart as Mr Recalcitrant.

These superpower summits attract expectations that are sometimes ridiculously high, simply because they are so infrequent; the last one was in 1979 and the one before that in 1974. They are not lengthy encounters; nine hours of formal talks have been scheduled for Geneva. Because they are *so rare*, there is value in the two leaders simply taking each other's measure. But for the same reason there is always urgent business of substance to conduct.

Pessimism

The two men are united in a certain tactical pessimism about the summit, readying themselves to blame the other for failure. But on the substance they are taking quite different tacks.

Mr Gorbachev makes clear, in his Time magazine interview, that hewants to make arms control the centrepiece of thesummit, and of course the U.S. space defence programme the heart of that discussion. For his part, Mr Reagan has said the main purpose of Geneva should be to "eliminate hostilities and suspicions."

This would presumably entail a broad-ranging discussion of regional tensions, and the Soviet record on compliance with past arms control accords and on human rights, and not "just a session on particular, specific issues"—which, on arms control, is precisely what Mr Gorbachev wants.

This divergence of approach is not surprising. It stems from the fact that at this stage it is the Soviet Union that most wans arms control agreements.

It wants to stop the U.S. testing nuclear warheads—or at least it sees the temporary moratorium it announced last month on its own testing as excellent public relations. It wants to stop the U.S. now moving ahead of it by testing a second generation anti-satellite weapon. Most of all, it wants to stop the Star Wars space defence programme dead in its tracks.

For all its hard-nosed negotiating tactics at the U.S.-Soviet arms talks in Geneva, and for all the threats Moscow has made about counter-measures to current U.S. weapons developments, the Soviet Union has the stronger incentive for early arms agreements. Mr Gorbachev left his Time magazine interlocutors in no doubt that he very much wanted a hal to the arms race as the external condition for fulfilling his ambitious programme to improve the Soviet economy.

Tensions

Mr Reagan committed himself formally in his second term of office to negotiations, from the position of military strength built up in his first term. But he still does not seem disposed to compromise on research and developmento f Star Wars technology, at least not at a summit. The Administration's view is that Star Wars is defensive technology and only for negotiations in tandem with discussions on offensive nuclear arsenals in the regular Geneva talks.

This is quite proper, but not enough. The problem is that the eneva talks, due to resume later this month, have so far ground on without result, while Moscow has made excellent propaganda play on the genuine doubts and anxieties that many Americans and even more Europeans have about Star Wars.

It is surely not enough for Mr Reagan to try to focus the summit away from arms control and on to regional tensions with the Soviet Union, which have been (*Afghanistan notwithstanding*) more acute in the recent past, or on to human rights grievances, which are legitimate but are aired in many other forms.

Arms control should be the centrepiece of the Geneva summit, particularly because Mr Gorbachev is now responding more intelligently to the U.S. argument against any total ban on Star Wars R & D: the impracticality of verifying any such ban. He has now conceded that laboratory research cannot be banned, because it cannot be checked from outside, but claims that work at the design, test or production stage can be monitored by satellite and thus limited.

There might now be scope for some negotiated limits on Star Wars, particularly if, and perhaps only if, the Soviet Union also offers the big reciprocal cuts in offensive nuclear arsenals which it has long resisted. This should be what Mr Reagan should be pushing Mr Gorbachev for in the run-up to their meeting this autumn.

Challenge to Gen Pinochet

FOUR DEATHS, countless injured and more than 600 arrests during anti-government demonstrations in Chile on Wednesday is an unhappy reminder of General Pinochet's ruthless determination to ride out protest. This latest violence comes the week before the 12th anniversary of the overthrow of the late President Allende; and while Gen Pinochet may draw satisfaction from having survived much longer than his critics predicted, his authoritarian regime now looks increasingly isolated at home and out of step with the trend towards democracy in Latin America.

For almost a decade General Pinochet was able to boast of having restored a sense of stability to Chile, albeit at the cost of political liberty, and to have presided over an unprecedented economic boom. Yet the protest movement, which has grown up in the past two years and refused to be cowed by repression has put paid to *this stability*. At the *same* time, Chile's experiment in free market economics has gone sour through a mixture of world recession, falling copper prices, over-borrowing and poor man- of power within the time frame agement. As a result, Chile's foreign debt of $20bn is the highest per capita on the continent,

Warning

So far Chile has been remarkably successful in winning the support of the international banking community, largely because the government has bent over backwards to follow the orthodox prescriptions of the International Monetary Fund. However, a warning light was raised during the last debt rescue package worth $7bn negotiated at the end of June. Discreetly the U.S. Government told General Pinochet that unless he lifted the state of siege imposed the previous November, then a vital World Bank guarantee for part of the rescue package would be blocked. General Pinochet substituted the state of siege for a less draconian state of emergency 10 days before the debt deal was sewn up.

Significantly the previous very public pressure exerted by the Carter Administration on General Pinochet because of his regime's human rights abuses had less effect. The Reagan Administration has been a good ally to Chile; but *over the past year it has* become understandably concerned by General Pinochet's refusal to establish a serious dialogue with even the moderate opposition. This has increased the uncertainty over what happens in 1989 when his mandate is constitutionally due to be renewed.

It is this long running uncertainty, against a background of severe recession, high unemployment and polarising political unrest, that now differentiates the situation in Chile from other Latin American debtors like Argentina, Brazil and even Peru with its chaotic economy and threats from a vicious guerrilla insurgency. All these countries have governments with a degree of popular legitimacy that General Pinochet lacks.

Gen Pinochet has been able to maintain his position in part because the opopsition has been so hopelessly divided. Since 1983 they have formed two loose coalitions of the Left and the Centre-Right which have squabbled with each other and among themselves. But as a result of the patient mediation of the Archbishop of Santiago a broad-based coaliton emerged two weeks ago, with a joint platform for a return to democracy with direct parliamentary and presidential elections.

The opposition is in effect calling for an orderly transfer pf oower within the time frame of General Pinochet's mandate. These are reasonable and representative demands which are likely to attract endorsement from countries which traditionally support General Pinochet such as Britain and the U.S. If General Pinochet ignores these demands, Chile risks a cycle of greater violence and more economic disruption.

Four faces of Mr Norman Willis, the TUC's general secretary

THE TUC AT BLACKPOOL

The spasm has passed . . . but the pain remains

By John Lloyd, Industrial Editor in Blackpool

THIS WEEK'S TUC Congress at Blackpool has finally dispelled the idea that Britain's trade unions are too powerful to be constrained by laws they do not like.

That notion took its last bow at the *Wembley Special conference* in 1982 when the trade union movement set out its blanket opposition to the Tory Government's employment legislation.

The pain of the discovery has taken time to suffuse along the nerves of the Labour movement and can still give rise to agony. This week has been such a convulsion—as evinced in the crisis over the engineers' decision to take state aid for ballots—and though the spasm has passed, the pain will not yet abate.

The Wembley special conference was a pulling of levers disconnected by unemployment and Tory law. The base of members did not respond sufficiently to the demands of the superstructure of general council and union executives. Therein was engendered the underlying crisis: a crisis of legitimacy, of authority, of ability to deliver.

The reflex of the Left has been, and to a degree still is, to keep pulling at the levers: to see in the spiralling of joblessness and the explicit dismantling of a post-war, social democratic consensus a necessary and sufficient spur to militancy. Time and again it has proved insufficient.

So it has been the right in the Labour movement which has provided an "answer." Part of that—but only part—has been the ballot, or individually-based, democracy: an explicit renunciation of a vanguardist role for union leaderships in favour of plebiscitery tests of memberships' attitudes to key questions. The electricians' union, the EETPU and the Amalgamated Union of Engineering Workers are at times almost messianic in their support for the system: while many on the left see it as an *abrogation of leadership to the* whims of the media and the campaigns of employers and government.

But the answer" has proved to be more complex than that. Balloting is only one element i na reformist package which also includes new types of agreements with employers on the industrial side, and a root-and-branch rejection of the class war on the political side. The new agreements—pioneered, indeed trumpeted, by the EETPU—give to the employer a reasonable guarantee of industrial peace by constructing a disputes procedure which culminates in binding arbitration rather than industrial action: for the unions, an extension of consultative procedures and, often, an end to the historic privileges which mark off the shop-floor from the back office or even the managerial suite.

The main proponents of this new force are tough guys. Mr Gavin Laird, the AUEW general secretary, is a former young Communist, a Clydesider who told his erstwhile comrades he found the Left sterile and has carved out a rock-like presence on the right: intellectually and rhetorically self-confident, privately warm, publicly hard.

Mr Eric Hamond, the EETPU general secretary, is a sly-eyed lazy-voiced southerner also in from the (non-Communist) left, imperturbable, delighting in shocking the class warriors.

They are supported by men of similar stamp: though Mr Laird has to deal on his executive with fellow Scot and enduring Communist, Jimmy Airlie, a veteran of the Upper Clyde struggle, a gut orator with a wide streak of sense and prickly pride in his craft status and union's traditions. The elder statesmen of the TUC often find such men disturbing of their carefully constructed balances: they have learnt to live with the radical left but must still find accommodation with the radical right.

Thus the tension has growr within the movement's circles until it posed a stark choice to the two sides in Blackpool this week: would the general council take seriously its repeated threats to suspend the AUEW for taking, and continuing to take, state aid for ballots? or would it . . . not?

It is tempting to write—" or would it climb down?" But that formulation is controversial in Blackpool, with the senior general council members who delivered agreement early yesterday morning — Mr David Basnett of the General Municipal and Boilermakers Union, Mr Bill Keys, of the print union Sogat '82, Mr Ron Todd, of the Transport and General Workers and Mr Norman Willis, the TUC general secretary — insisting emphatically and even with anger that the deal was a compromise, a little given on both sides.

They have, as they say, saved the TUC from splits. They have, as the agrement says, got in writing the recognition of TUC authority; the right to put their own position on the future ballot paper of AUEW members on continuing to take state aid; a recognition that both sides will act in the joint spirit of what is described as an amicable meeting; and an acknowledgement that the AUEW will be suspended if its members vote yes to taking more money and the executive acts on that vote.

A crisis of legitimacy, of authority, and of the ability to deliver

But the TUC's authority over its affiliates derives from its rules, not any statement: and that statement begins with an avowal that the AUEW is bound in the first place by its policy-making national committee which has enjoined the ballot—the passage on TUC authority is part of the agreed formulation which the TUC insisted goes on the ballot papers. The "joint spirit" was said to be amicable but the characteristic of spirit is its tendency to evaporate. The AUEW was always under TUC Rule 13 liable to be suspended for flouting Congress policy: it is hardly a major concession on its behind the AUEW, may now Above all, the central offer—for the TUC to be allowed to put its case to the AUEW members was made by Mr Laird to the TUC finance and general purposes committee on August 7—one month ago.

The EETPU, so far sheltered behind hte AUEW, may now come into the firing line: Mr Hammond has an application in to the Certification Officer for money, and yesterday suggested he too might ballot his members, with the engineers, on whether or not they wish him to take it. Mr Albert Williams, general secretary-elect of the building workers' union UCATT, said the crisis had been "the biggest nonsense I ever saw" and will be applying for the costs of the next ballot the union holds, probably in December, for an executive council seat. Smaller unions—such as the airline pilots, engineering managers and colliery managers—have already decided to take the money. If the general council really wants the line to hold now, they have a lot of nailing down to do.

The escape routes are in place. The TUC employment committee has a review under way of all alleged breaches of the Wembley principles: the Advisory, Conciliation and Arbitration Service reckoned there have been nearly 100 closed shop ballots (which Wembley also proscribed) and Mr Hammond will produce at least 60 instances of these insisting on discipline on an equal basis. Secondly, Congress earlier this week passed a motion which sanctioned a review of what the TUC wants in the way of employment law from a future Labour Government: if it wants ballots, and many from left and right do, it may come to be seen to be pure daft to expel a union or unions for getting Tory cash for holding them.

The immediate practical effects *will* be confused and may be stormy. Leading left-wingers yesterday confessed that the decision was made in order to staunch a wound to wingers yesterday confessed all: Mr Rodney Bickerstaffe, the clever man who leads the public employees, believes — with others — that the electricians at least had planned to construct an alternative union centre in which such groups as the Nottinghamshire miners (whose leaders were in Blackpool talking to the EETPU this week) and some "professional" unions would join:

But none of this will be smooth: the Left has to insist on fidelity now the more because they have — or most of them — winked at infidelity by the seaside this week. The same motion which set up a review also reaffirmed the Wembley principles: Mr Todd, who strove mightily to get the unions offt he hook on Wednesday night and Thursday morning, is on record as saying that the principles were now — as Government falters and employers weaken — more relevant than ever.

But, beyond the union world, *does* Government falter? Mr Peter Bottomley, the junior Employment Minister, who has loped about the Winter Gardens and the Imperial Hotel this week cheerfully inserting himself into conversations and eavesdropping on the rolling TV interviews, said the usual things about shooting in the foot and softening in the head. But he was more interesting than that.

He is the first Tory Employment Minister to visit Congress since the ultra-wet Jim Lester in 1980: he says he does not wish it to be seen as anything out of the ordinary, merely the kind of thing which happens in a democratic society in which no part is a no-go area

That is illuminating for what it shows of the practical deflation of the political atmosphere surrounding the unions: and the week's events may hasten that. The emergence of a pragmatic right as a dynamising force would emphasise the trading relationship between the TUC and the Government. the TUC and Government—the trading relationship between general council's slight shift to the right earlier this week underscores that. This may be upset by a new raft of legislative *proposals*—but they will not come soon and action on curbing strikes in essential services is unlikely to come at all, though it will be mooted. The unions will never like this Government and will try to replace it with a Labour one:

Labour has had less cause for satisfaction: a bad union row upsets it, the quite separate vote for reimbursement of the National Union of Mineworkers' fines and reinstatement of sacked miners lumbers Mr Neil Kinnock, the Labour leader, with another issue made for exploitation by his activists, especially at conference time. Mr Arthur Scargill, the NUM president, is still the most formidable conference man in the movement: but Mr Kinnock was on the TV networks in hours, saying he led the Labour Party and he would not swallow Mr Scargill's victory.

Do employers weaken? There is little evidence, from the industrial relations managers who still attend Congress that they were hoping for a TUC split. Most saw more headaches than heart's ease in that. They *are* terribly interested in the new industrial deals and some *are striking them where they* can: they are realising that union power will remain where the members wish it to (mostly) and that the name of the game is still getting a bit here, losing a bit there. They are still probably getting more than giving:

New realism was said to have been born in Blackpool at the 1983 Congress launched by Mr Len Murray and underpinned by Mr Alastair Graham, general secretary of the Civil and Public Servants. But in a fateful 1984 Mr Murray left early, kicked in the teeth by a Government set on banning unions at the Cheltenham communications centre: Mr Graham, at the mercy of his volatile executive, was replaced on the general council by Mr Ray Alderson, the senior vice-president and a convinced man of the Left. Mr Murray's and Mr Graham's talents were obvious, but they could not bear the weight.

Two years later, in the same battered and gusty town, new realism has slouched in to be reborn on the backs of the proud and abrasive craft unions, backing argument with credible threats of independence from the movement. That was realism with a vengeance: how it will fare is another day's work.

Men and Matters

Oakeshott to manage alone

This is the season for musical chairs in the investment management business in London.

Matthew Oakeshott, aged 38, investment manager of Courtaulds pension fund is on the move. He plans to set up his own investment business.

In a profession not noted for public relations flair he has been happy to talk to one and all about his investment philosophy and achievements. And, in truth, he has had much to talk about.

In the 4½ years since he went to Courtaulds from S. G. Warburg the investment performance fo his fund has been consistently top of the respected WM Computing Services ranking.

His gingering-up of sleepy investment trust management, and two spectacular property deals, madethe headlines during his tenure of office. They are the high-profile results of his strategy of concentrating in equities and high-yielding property of the less fashionable kind.

He gives full credit to Courtaulds trustees for giving him a free hand and, to show that he is human, he admits to getting it wrong in the index gilt selection.

Uncharacteristically he is *reticent about his new* venture and the type of clients it will be aimed at. I canont discover whether they will be individuals or pension funds. But he feels that amid the glittering new financial supermarkets now being set up there will be a gap for the investment specialist.

By doing his own thing Oakeshott will have less time for the SDP or his Parliamentary ambitions. He came second at Cambridge in the last election.

"But where's the AUEW getting the cash for the Cash

Anthony's goal

Peter Gray has had a busy *couple of years as chief* executive of Touche Remnant building up a new management team. The corporate aim appears to be to consolidate the group as a highly individualistic fund management operation, ready and able to face the City's Big Bang, and all the corporate competition that will follow.

The latest move in his strategy has been to hire Michael Anthony, aged 44, a life-long pensions funds market expert. Anthony joins as a director of Touche Remnant, and will be managing director of Touche Remnant Pension Fund Management.

Anthony has been a City pioneer in his specialised field. He spent 20 years with Metropolitan Pensions, and was one of the first fellows of the Pensions Management Institute formed in 1976. For the last two years he has been with Montagu Investment Management.

Montagu is now wholly owned by the U.S. life insurance company Aetna. Anthony confesses he prefers the prospect of life with one of the few big independents rather than a corporate existence with a financial conglomerate.

And his devotion to other people's pensions affairs does not inhibit him from changing into a pair of shorts on a Saturday to be a Kent football referee.

Poorer men

Bryan Cowgill, the former managing director of Thames Television may have got himself into terrible trouble over the "lifting" of Dallas from the BBC. But there is a small yet eloquent tribute to some of his *other* skills in the Thames annual report.

One of the most interesting bits of the report is always the listing of the numbers of staff whose "emoluments" exceed *£30,000—in plain English how* many video tape editors have had a good year's overtime.

Last year the numbers in the £30-35,000 bracket actually fell from 93 to 74 and the £35-40,000 earners from 21 to 16.

Such a trend, rather unusual in the world of commercial television has a lot to do with the fact that Thames, under Cowgill, has successfully pushed through rostering changes to control overtime.

United we talk

Believe it or not there is something that unites such arch political protagonists as Tony Benn, Cecil Parkinson and Cyril Smith. The common factor is Esperanto, the international language.

They may not often see eye to eye when talking in their mother tongue. But, like many of their parliamentary colleagues, they believe that Esperanto is the key to establishing a better understanding between the peoples of the world.

This is Esperanto week, and the organisers are hoping that the success attained in recruiting British politicians can be emulated on the continent.

The Esperanto parliamentary group has been wildly successful, becoming the largest all-party grouping at Westminster with a membership of 177 MPs. Why this should be I cannot discover. Perhaps it is a natural defence by the politicians of a nation notoriously poor at speaking other people's languages.

The European Parliament now spends 55 per cent of its budget on translation costs—about £10 per word,

Esperanto is spoken by some 8m people according to United Nations figures. Russia puts out political propaganda in the language, and the Norwegians use it for a version of their railway time-tables.

Broker's biscuit

Since the City stockbroker Quilter Goodison has been transformed from an *old-fashioned partnership into a* trend-setting limited company the pleasant custom of holding a partners' afternoon tea party has been abolished.

Politics and personalities used to be discussed daily between 4.15 pm and 4.30 pm over tea (China or Indian, sir?) and a choice of lemon or milk.

How, then can the company's tea ladies, Elsie and Pat, who now replace the old tea party with their democratic trolley through the corridors, be expected to know which of the new executives is still entitled to the traditional partners' tea-time chooclate biscuit?

The secret code prepared for Elsie and Pat is to be found on the office note-paper.

Some directors' names are marked with a circle. They are entitled to a chocolate biscuit.

Others have no identifying mark and must take their tea without nourishment.

A discreet square marks the entitlement of the minority-shareholding Swedes to a Jacobs cream cracker.

Observer

BASE LENDING RATES

A.B.N. Bank	11½%	C. Hoare & Co.	11½%
Allied Dunbar & Co.	11½%	Hongkong & Shanghai	11½%
Allied Irish Bank	11½%	Johnson Matthey Bkrs.	11½%
American Express Bk.	11½%	Knowsley & Co. Ltd.	12 %
Henry Ansbacher	11½%	Lloyds Bank	11½%
Amro Bank	11½%	Edward Manson & Co.	12½%
Associates Cap. Corp.	12 %	Meghraj & Sons Ltd.	11½%
Banco de Bilbao	11½%	Midland Bank	11½%
Bank Hapoalim	11½%	■ Morgan Grenfell	11½%
BCCI	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Ireland	11½%	National Bk. of Kuwait	11½%
Bank of Cyprus	11½%	National Girobank	11½%
Bank of India	11½%	National Westminster	11½%
Bank of Scotland	11½%	Northern Bank Ltd.	11½%
Banque Belge Ltd.	11½%	Norwich Gen. Trust	11½%
Barclays Bank	11½%	People's Trust	12½%
Beneficial Trust Ltd.	12½%	PK Finans. Intl. (UK)	12 %
Brit. Bank of Mid. East	11½%	Provincial Trust Ltd.	12½%
■ Brown Shipley	11½%	R. Raphael & Sons	11½%
CL Bank Nederland	11½%	Roxburghe Guarantee	12 %
Canada Permanent	11½%	Royal Bank of Scotland	11½%
Cayzer Ltd.	11½%	Royal Trust Co. Canada	11½%
Cedar Holdings	12 %	■ J. Henry Schroder Wagg	11½%
■ Charterhouse Japhet	11½%	Standard Chartered	‖11½%
Choulartons**		TCB	11½%
Citibank NA	11½%	Trustee Savings Bank	11½%
Citibank Savings	¶12½%	United Bank of Kuwait	11½%
City Merchants Bank	11½%	United Mizrahi Bank	11½%
Clydesdale Bank	11½%	Westpac Banking Corp.	11½%
C. E. Coates & Co. Ltd.	12 %	Whiteaway Laidlaw	12 %
Comm. Bk. N. East	11½%	Williams & Glyn's	11½%
Consolidated Credits	11½%	Yorkshire Bank	11½%
Continental Trust Ltd.	11½%		
Co-operative Bank	11½%		
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	13 %		
First Nat. Secs. Ltd.	13 %		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptns.	12½%		
Grindlays Bank	‡11½%		
■ Guinness Mahon	11½%		
■ Hambros Bank	11½%		
Heritable & Gen. Trust	11½%		
■ Hill Samuel	§11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%. 1 month 8.50%. Top Tier—£2,500+ at 3 monthly notice 11.25%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8% gross.
‖ 21-day deposits over £1,000 9.25%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8%.

POLITICS TODAY

Mrs Thatcher's reshuffle: not as bad as it looks

By Malcolm Rutherford

ONE PERSON who comes out badly from the reshuffle of the British Cabinet this week, at least in the short term, is Mrs Margaret Thatcher, the Prime Minister.

There is a case for her defence, which is put later in this article. The case for the prosecution, however, must take precedence. It can be summed up as: what a way to run a Government!

Mrs Thatcher had been talking about a September reshuffle all summer. She had plenty of time to think about it. What happened? It was all suddenly cobbled together—her defenders would say, it finally gelled—last weekend.

A lot revolved around Mr Cecil Parkinson, the party chairman at the last election and subsequently Secretary of State for Trade and Industry, who was obliged to resign in October 1983 for personal reasons. The Prime Minister had wanted to bring him back and indeed in various television interviews encouraged him to think that the way was open.

She was dissuaded by a combination of Lord Whitelaw, the deputy Prime Minister, and Mr John Wakeham, the Chief Whip, who between them must know a good deal about the state of Tory opinion in the country. The consequence was that the changes in the Cabinet were rater larger than had been generally expected.

The charge against Mrs Thatcher is that she was indecisive. There was a case for bringing Mr Parkinson back because he is a relatively well-known figure with a touch of style, who helped to win the last election and whom the Prime Minister likes. There was a case for keeping him out because his return might have seemed controversial to the Tory rank-and-file. There was no case at all for delaying the decision until last weekend.

Most, though not all, of the case against the Prime Minister follows from that. Once Mr Parkinson was not going back to Trade and Industry, it was necessary to find someone else. The choice fell on Mr Leon Brittan, the Home Secretary, who thought, when he was suddenly summoned to Chequers last Sunday, that he was being asked to join in consultations on the nature of the reshuffle. Instead, he lost the Home Secretaryship, much against his will.

Lord Whitelaw and the Chief Whip, who re-emerge as major influences, may have had ulterior motives. Throughout the summer all the indications had been that there would be no changes in the three traditional top ministries: the Foreign Office, the Treasury and the Home Office.

Sir Geoffrey Howe, the Foreign Secretary, has become something of a father figure in the Tory Party and has performed very well: for example, on Hong Kong. Nobody wanted to move him. To have shifted Mr Nigel Lawson, the Chancellor of the Exchequer, would have looked like a change in economic policy and could have had all sorts of effects on the markets.

It was much easier to move the Home Secretary. Mr Brittan thinks that once Mr Parkinson was not returning, the Prime Minister was obliged to do something dramatic to make a show of the reshuffle, so she chose him. Other Cabinet ministers say that he had to be shifted because the Tory Party could not afford to have two senior ministers—Lawson and Brittan—who do not go down well in the country and on television. Mr Brittan was the fall-guy.

It was still a pretty sharp rebuff to a man who had been administering the Home Office, a vast department if ever there was one, better than any of his recent predecessors, including Lord Whitelaw.

Other consequences followed which must cast some doubt on Mrs Thatcher's judgment. There had to be a new Home Secretary. Mr Douglas Hurd, the Northern Ireland Secretary, was an obvious candidate in that he had been minister of state there before. He saw the Prime Minister on Irish matters twice last Friday, but not a word was mentioned about the change until she telephoned him on Sunday evening and told him of his promotion.

None of that makes British policy towards Ireland look very serious. Mr Hurd had been there for less than one year, had had some successes, was involved in a critical stage of negotiations with both the Republic and Ulster, and was perhaps the only Secretary of State for Northern Ireland ever to have wanted the job.

Inside the Cabinet the best that is being said of Mr Tom King, Mr Hurd's replacement and previously the Employment Secretary, is that he is sufficiently loquacious to keep the Irish talking.

It remains unclear where Mr King would have gone if there had not been the sudden vacancy in Ulster. It had been long established that Lord Young should take his place at Employment, because without a department of his own Lord Young could not operate effectively in his attempts to remove the obstacles to growth in the economy.

There have been other lapses. Mr Peter Rees, the outgoing Chief Secretary at the Treasury, had known for at least a year that he was under probable sentence of dismissal. He had to stay until the September reshuffle. Yet Chief Secretary is a very important job, especially in a Government which says it is determined to control public expenditure. It is hard to imagine how, in those circumstances, Mr Rees could have properly carried out his functions with the respect of officials and fellow ministers.

Mr Patrick Jenkin, the sacked Secretary of State for the Environment, thought that he was on the way out and considered going to the Prime Minister before the summer recess to signify his readiness to go, but had virtually ceased to have any contact with her.

The conversation last Monday went something like this.

P.M. "Patrick, I'm afraid it's bad news."
P.J. "Please, don't go on . . . and I don't want any other job in the Government."
P.M. "May we put that in the letters?"
P.J. "No."

The Prime Minister's thank-you letter, however, does contain the acknowledgement that Mr Jenkin had been the originator of the privatisation of British Telecom, one of the Government's most notable coups.

It does not acknowledge that it was he who proposed the re-amalgamation of the Departments of Trade and Industry in a series of papers before the last general election.

Mr Jenkin thinks that his fellow Cabinet Ministers, including Mrs Thatcher, did not give him sufficient support when he was trying to put through the Bill to abolish the Greater London Council. It was not a Bill of his own making.

In his parliamentary troubles, he was partially rescued by Lord Whitelaw, to whom he appealed for a minister of state to help the passage through the Commons. He was given Mr Kenneth Baker, who now has his job, but has been distinctly gracious about the takeover.

Their is a lot of bitterness and resentment around. Mrs Thatcher has upset most of her senior colleagues in one way or another, including those sometimes regarded as her acolytes: Chancellor Lawson by her refussal to countenance more radical tax reform, and Mr Brittan by unceremoniously moving him.

Some ministers remain untouched, perhaps untouchable. Mr Peter Walker, the Energy Secretary, was not even remotely consulted about the reshuffle and learned about it from the television news. He runs a smallish department, which has a more than adequate supply of junior ministers. He will not resign, Mrs Thatcher will not sack him, and he will devote more time to making coded speeches critical of her policy, while assiduously going ahead with the privatisation of British Gas.

Mr Michael Heseltine is also still sitting pretty at the Defence Ministry. If one were writing futuristic political novels, one would say that his chances for the succession seem to be growing.

There is some bitterness, too, between government and industry. A common reaction to Mr Brittan's appointment is that he knows little about the subject.

And yet there is a case for Mrs Thatcher's defence. The new team does look rather better than the old. Mr Norman Tebbit is a natural to be party chairman at this stage of the Government's life. He will become a national figure in the way that most other Tories could not. The appointment of Mr Jeffrey Archer, a best-selling writer, to assist him may be a gimmick, but it is rather a good gimmick and Mr Archer has already shown himself to be telegenic.

Mr Brittan could use his powers of administration and analysis very well at Trade and Industry, once he has recovered from the initial shock.

There may now be better co-ordination between the Treasury, Trade and Industry and Employment. That, one assumes, is what the Prime Minister is after and is the rationale of the whole exercise.

Moreover, this cannot be the last of Mrs Thatcher's reshuffles. At some stage, Lord Hailsham and Sir Keith Joseph, the Education Secretary, will depart, if only on the grounds of age. So this is not necessarily the Cabinet for the run-up to the general election.

A final comment is that one way to better government might be not to have major reshuffles, but to replace or move ministers if and when it becomes desirable—the way you might run a normal organisation. The ritual of the reshuffle has got out of hand.

Mrs Thatcher: "Patrick, I'm afraid it's bad news."
Mr Jenkin: "Please, don't go on . . and I don't want any other job in the Government."
Mrs T: "May we put that in the letters?"
Mr J: "No."

Lombard

A parable about unemployment

By Michael Prowse

THE INVENTION of interactive cable makes the following scenario just remotely feasible. The year is 2010. Lord Young, now elderly but energetic as ever, is still Employ-Secretary, although at the insistence of Prime Minister Patten his formal title had been changed to "Jobs Supremo" years earlier. Across the nation, in boardrooms as well as in ordinary homes, people are clustered around flickering VDUs, fingers poised above response keys. The occasion is the bi-annual wage-fixing ceremony.

At six o'clock precisely, as is the custom, the Jobs Supremo appears on the nation's screens. Nobody is at all surprised by his attire. Lord Young wears the clothes of a 19th century auctioneer, a large and glittering "W" is embroidered on his jacket, and in his right hand he holds the ceremonial "wages gavel." Bank, the hammer falls and proceedings begin. "Ten pounds an hour, what am I bid?" he cries. In boardrooms, directors furiously press buttons to indicate the amount of labour they are willing to purchase at this price. In ordinary homes, those willing to work at this rate equally eagerly send back the appropriate signals.

"Labour supply 20m units," intones Susan, Lord Young's fifth-generation, intelligent and somewhat articulate computer, "labour demand 10m units." The auctioneer is unflustered. "Eight pounds an hour, what am I bid?" he cries. Again, across the nation there is a furious pushing of buttons. This time, labour supply comes in at 18m units, labour demand at 12m. The process continues; Lord Young, Susan, the nation's directors and would-be workers are all engrossed by this live, minute-by-minute struggle to clear the labour market. Finally, at five pounds an hour, demand and supply are equalised at 15m units. Bang, the gavel falls and the Jobs Supremo screams "done!"

Lord Young has solved the problem of unemployment. It is all as simple as fixing the gold price at 3.00 pm in the afternoon. Dole queues have been vanquished and are of interest only to historians. They are spoken of in hushed tones—a social evil comparable with child labour in the 19th century. The Department of Employment, requiring little more than Lord Young, the computer and a doorman, has been virtually disbanded. Through the good offices of the hardworking auctioneer, wages have become perfectly flexible and labour demand and supply is perefectly balanced twice a year.

This science fiction fantasy will stike many as completely absurd. Quite right too. The market for labour is quite unlike the gold market. The point of the parable is to explain why so many economists and politicians so quickly become exasperated by those who think that merely to intone the words "wage flexibility," or more often "wage moderation," is to cite a credible solution to the conundrum of unemployment. It may surprise some people to learn that the classical economists who believe markets, if left to themselves, will automatically "clear" (in other words perfectly equate demand and supply) are pre-supposing the existence of a Lord Young-style auctioneer.

In the parable, Lord Young has the letter "W" emblazoned on his breast in homage to Walras, the 19th century classical economist who first invented the concept of the auctioneer, the co-ordinating father figure who ensures that markets come up with the right answers. In real life, where (with the odd exception) markets lack auctioneers, there is no guarantee, even in the absence of distortions such as unions and government legislation, that they will clear. Without an overseeing co-ordinator, trades will occur at non-market-clearing prices (in the story it was essential that companies did not actually begin hiring until after the wage matching demand and supply had been determined).

Try as they will, economists cannot show that markets without auctioneers will clear. They can, as Keynes noted in the 1930s, become stuck out of equilibrium. The moral is not that the drive to liberalise markets should be abandoned but that too much reliance can be placed on such a policy. Sometimes, and perhaps the British labour market of the 1980s is case in point, governments need to adopt a co-ordinating role—if not to make Walras's auctioneer flesh.

Letters to the Editor

Imposition on business

From the Managing Director, Tax File

Sir, — The voice in the Cabinet for reducing government controls on small businesses must be permitted a much louder say if this sector is really to be encouraged to develop and reduce unemployment.

How can a Government make encouraging noises about cutting these burdens and, at the same time, introduce new VAT enforcement legislation which is draconian?

Businessmen, an unwilling band of unpaid tax collectors, soon face stiff financial penalties if they miss the 30-day deadline for VAT returns and payments. The fact that VAT has not been paid to them by a customer — many invoices take 60 days and more to pay — is no excuse. If the businessman wants to avoid the wrath of the professional tax collectors, he must often try to take out a bank loan and pay interest to meet the Government's demands. This is but one part of the new VAT legislation which is likely to force many businesses to despair, if not into liquidation.

Now the Government has steamrollered the VAT changes through, it is turning its attention to stepping up next year enforcement powers on the direct taxes as a result of the Keith committee report.

The administration of our tax system on businessmen is a massive imposition — very time-consuming and unproductive for the businesses concerned.

The fact the Government feels it needs a bigger hammer to crush these unrewarded "volunteers" cannot be a sign that it wants to reduce the burden.

Who can blame a small businessman working successfully by himself below the VAT registration limit for staying small and not taking on staff? Does he need the headaches of VAT, PAYE and NI, sickness payments, audits, etc? Can these long hours of administration for the Government, and severe punishment for getting it wrong, really fire his ambition for expanding?

Dennis J. Fowle.
4, Valentine Place, SE1.

Liability at Lloyd's

From Mr N. Dangoor

Sir,—The intention of some Lloyd's members to create a fund to rescue underwriters in financial difficulties (September 4) is a timely recognition of the need to rethink the limits of liability of Lloyd's membership. It is wrong to argue that any suchm utual assistance among names compromises the cherished principle of unlimited liability. This simply has to be restated as collective unlimited liability.

The individual name should remain fully responsible up to the limit of his Lloyd's deposit, beyond which the market as a whole would have to make good any losses. Keeping a high excess point should guard against any danger of reckless underwriting. In fact, such support operation should be conducted at syndicate level without bringing it to the attention of the names who really have no knowledge of or influence on the conduct of the market.

This procedure would inhibit the smart alecs at Lloyd's from unloading their bad business on the unwary syndicates, which is a major cause of syndicate failure.

N. E. Dangoor.
25 Albert Hall Mansions, Kensington Gore, SW7.

Licensing hours

From the Director, Alcohol Concern

Sir,—Lombard (September 3) presented an unjustifiably optimistic view of the effects of relaxing licensing laws in England and Wales. Michael Prowse wrongly played down the connection between availability of alcohol and the scale of social and health problems caused by drinking. He should have mentioned that in countries where alcohol is more freely available than here, for example, France, Italy or Spain, the level of alcohol related harm is far greater.

The Scottish experience, following their relaxation of licensing laws in 1976, does not support his rosy view. Alcohol consumption there has risen to three times the total for England and Wales: cheering news for trade and business interests, perhaps. Meanwhile in the 1976-83 period deaths from alcohol associated causes in Scotland soared by 45 per cent, compared with a rise of 17 per cent in England and Wales.

Mr Prowse should understand that licensing laws are one form of protection against this kind of damage and not a "bizarre and irrational infringement of personal liberty." They are an essential means of controlling the availability of drink. It is time that the purpose of this control was publicly recognised as the protection of our health and welfare. This is not outmoded paternalism, but, with alcohol abuse currently costing some £2bn a year, is fully justified in economic terms.

To claim that more liberal licensing laws will result merely in the enjoyment of greater freedom is irresponsible when there is ample evidence for treating such proposals with extreme caution. Any such proposals cannot be acceptable unless accompanied by a firm, government commitment to a programme of measures to curb the massive problems resulting from drinking.

Dianne Hayter.
305, Gray's Inn Road, WC1.

Strengthened Rents Acts

From Mr V. Fellas,

Sir,—I refer to the letter of Mr Kidd (September 4) in connection with the astonishing Street v Mountford House of Lords decision concerning the licensing of residential accommodation where Lord Templeman in his judgement concluded that henceforth the courts which deal with these problems (ie. residential licence contracts), should only decide whether the occupier is a lodger or a tenant.

This decision appears to be in conflict with Schedule 13 Section 2 (2) of the General Rate Act 1967 where the letting of rooms on a licence basis with or without attendance is implicitly accepted by an Act of Parliament.

Is it possible for the Law Lords to be wrong?

Perhaps John Patten, the new Housing Minister, should show initiative and remedy the situation in line with the free enterprise ethic of the Government.

V. M. Fellas,
35, Roehampton Vale, SW 15.

Productivity on the railways

From Mr B. Flint,

Sir,—Although Sir James Farquharson (August 30) is right to criticise an overall figure of train kilometres per employee as a measure of railway efficiency, his alternatives of passenger- and tonne-kilometres per employee are just as unhelpful.

Train kilometres per employee is a measure of the capacity which is currently being made available for sale, whereas passenger- and tonne-kilometres per employee are measures of the extent to which that available capacity is actually sold. These latter figures therefore reflect management's marketing skills, and the extent to which the available capacity is in the right place at the right time, at the right price and in the right quality, and is being properly publicised — matters which are only partially influenced by employee productivity.

The fact is, surely, that for a business as complex as the railways there can be no overall measure. Each individual activity requires its own measure, such as employees per track mile for line maintenance, and even then comparisons are likely to be influenced by factors such as weather conditions, quality of materials and tools used, standards set by management and the extent to which those standards are achieved, etc.

Unfortunately, these measures can only be made by the railway operators themselves, and one can but hope that BR properly selects, accumulates and interprets the most appropriate data.

Brian W. Flint,
25bis, Boulevard Lannes, 75116, Paris, France.

Running the BBC

From Mr. P. Dickson.

Sir, — Christopher Dunkley's examination of the Real Lives controversy (September 4), graphically demonstrated the serious organisational conflicts existing within the BBC and which have contributed to a public perception of real or imagined censorship.

Confidence can surely only be restored by redefining the roles of the governors, editors, and management. The continuous prospect of governors previewing contentious and, as a corollary, often "informative" material, combined perhaps with a questionable composition of personalities as public watchdogs, does not bode well for the future.

P. R. Dickson,
7, Royston Way, Burnham, Slough, Berks.

Unions at Austin

From the Manager, Business Affairs, Austin Rover Group.

Sir,—Your report headlined "Cowley AUEW member may lead splinter union" (September 3), concerning a proposal to set-up a new engineering craft association, is inaccurate. Austin Rover has never said that it would recognise a new association or union.

Colin N. Walkey,
Canley Road, Canley, Coventry.

FINANCIAL TIMES

Friday September 6 1985

Kevin Done in Stockholm reports on a close electoral race which Olof Palme seems set to win

Stark autumn choice for Swedish voters

MR OLOF PALME, leader of Sweden's Social Democrats for more than 15 years, is seeking to persuade his country's 6.2m voters to give him another term of office to take Sweden on what he calls "a fantastic adventure."

The particular adventure the Swedish Prime Minister has in mind when the voters go the polls on September 15 is another three years of the "politics of the Third Way" the Social Democrats' special brand of economic policymaking aimed at solving a crisis of inflation and recession, without extravagant public spending or austerity and cutbacks in social welfare.

"This is our pride," says Mr Palme, "If we succeed, we will find imitators throughout Europe."

Not surprisingly, Mr Ulf Adelsohn, leader of Sweden's Conservatives since 1981 and the opposition's most obvious candidate for Prime Minister, sees things rather differently.

Mr Palme's adventure, he says, has meant that within the last three years another 200,000 Swedes have had to seek some form of social security benefits in order to make ends meet. "You should be able to live on your income after tax," says Mr Adelsohn indignantly. "People with normal wages now need social benefits in order to survive. The state should help the weak, not take so much that people become weak and dependent on the mercy of the state."

In the country that carries the highest tax burden in the Western world, Mr Adelsohn is offering to cut marginal taxes to 40 per cent on normal incomes. "You should have the right to keep at least half of any wage increase," he declares.

Mr Adelsohn is seeking to become the first Conservative Prime Minister in Sweden since 1928. History is clearly against him but he is being helped by the increasing polarisation within Swedish politics, which has seen the Conservatives grow in strength during the late 1970s and 1980s to become the biggest non-socialist party, overshadowing both their Centre and Liberal Party allies.

In terms of the two leaders and their visions of the future, Swedish voters have seldom been offered such a stark choice.

Mr Adelsohn is offering to cut taxes, reduce public expenditure and the state budget deficit and push through a string of liberalising reforms aimed at breaking up public monopolies.

Freedom of choice is the main slogan – choice in day-care for children, in schooling, health care, and home ownership. The state television monopoly would be broken up with the introduction of a commercial TV channel, financed by advertising, which is still banned in Sweden. The Conservatives also would abolish the trade union-controlled wage earner funds.

In a closely contested TV debate last week Mr Adelsohn painted a picture of the big brother state created by the Social Democrats in which the individual and the family are left with little room to decide for themselves. "It is at the kitchen table and in the living room that the important family decisions should be made," he says. "That is where the power over the family should reside – not at party congresses."

SWEDISH PARLIAMENT (1982 election)

	Seats
Social Democrats	166
Communists*	20
Conservatives	86
Centrists	56
Liberals	21
Total seats	349

** Usually vote with Social Democrats*

The Social Democrats and Mr Palme see the Conservative programme as nothing less than a challenge to the established order, a call for a change of system that would raise the spectre of class conflict, soak the poor in favour of the rich, and roll back what had been won in several decades of social reform.

Mr Palme is never slow to remind his audience that Sweden is "a fantastic country and the most civilised the world has yet seen."

The Social Democrats have never abandoned the goal of full employment and they still want to develop the welfare state, not dismantle it. However, he gives few details of the party's plans for the next three years. Like every other Western leader after one term in office, he is seeking a new mandate "to complete the job."

Mr Palme has chosen the careful tactic of virtually ignoring that there are actually two other major non-socialist parties in the opposition, both of which would considerably tone down any strongly radical Conservative plans. A call to the barricades is apparently much more effective with the Conservatives as the single enemy.

According to Mr Palme the Conservatives would rob the poor to pay the rich – "a reverse of Robin Hood without comparison." They would cut sickness and unemployment benefits, allow unemployment to rise, boost food prices and rents and damage the interests of the old and infirm.

The Swedish Prime Minister's experience on the political stage is unrivalled and he is one of the few Scandinavian politicans whose reputation, some would argue notoriety, has spread well beyond the borders of his own country.

He has spent virtually his whole career in the Social Democratic machine, starting out in 1953 at the age of 26 as secretary in the office of the then Prime Minister, Mr Tage Erlander, a chief architect of the Swedish welfare state. After serving in various cabinet posts he took over as party leader and Prime Minister from Mr Erlander in 1969.

The Social Democrats are used both to continuity and success. They have had only four leaders since 1889. For 44 years from 1932 to 1976 they dominated Swedish politics, either alone or in coalition. It came as a deep shock when they lost two elections in 1976 and 1979 under Mr Palme and he can hardly afford to lead the party to a third defeat.

Uncomfortably Mr Palme has had to spend much of the current campaign dealing with economic matters and the intricacies of personal taxation, when he is really much more at home on the international stage.

By contrast Mr Adelsohn is still an unknown quantity. He did not take over the leadership of the Conservatives until October 1981, although he did serve as Transport Minister from 1979 to 1981 in the centre-right coalition. He only entered parliament in 1982 and had spent most of his previous political career in local government in the Swedish capital.

He was a member of the Stockholm city council for 13 years to 1979, the last three as finance commissioner and mayor.

Mr Adelsohn committed a number of gaffes early in this campaign, not least by offering to swim in the cooling water of a nuclear reactor to show his commitment to nuclear power. If he is to have any chance of leading a majority government he must have the support of the Centre Party, whose leader Mr Torbjorn Falldin, the former Swedish Prime Minister, is a vehement opponent of nuclear power, the single issue that dominated Swedish politics in the late 1970s.

All the latest opinion polls expect Mr Adelsohn and the Conservatives to improve on their performance at the 1982 election, but it seems that this will still not be enough to unseat Mr Palme. It will be a close fight, but the Social Democrats' call to defend the system is expected to win the day. The Swedes are conservative but with a small "c".

THE LEX COLUMN

They're only here for the beer

While there is no reason to doubt that Elders IXL is indeed prepared to pay £1.7bn for the privilege of owning Allied-Lyons, yesterday's statement omitted rather more than it included. There are two essential ingredients in any consortium bid – the money and the partners – and as of yesterday Elders had neither. Nor did it have an acceptable price. At 250p per share the Ashes would most certainly stay in England.

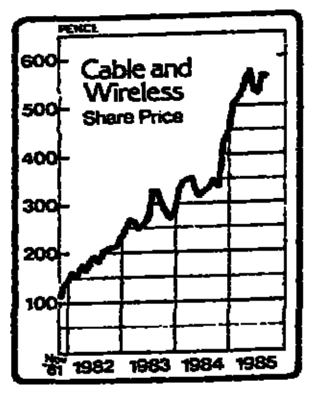
Yet, whatever the arithmetic of this extraordinary proposal, the Elders approach cannot simply be ignored. The company has a plausible management which, in the acquisition of Carlton and United Breweries, showed itself to be a dab hand at the reverse takeover.

If Elders can find indulgent banks and partners over the next six weeks the fact that its net worth is not much more than a fifth of Allied's may be by the by.

But, if Elders is serious, it will need to offer a good deal more. Allied may not be the country's most admired company but its earnings record is respectable and, in food at least, it has probably outperformed the market. It would be surprising to see Allied go for much below 15 times prospective earnings which, assuming the group could muster a forecast of 24p per share in a takeover, suggests that Elders will need to add about 100p to its proposition.

Allied might conceivably be worth that much to Elders. The UK group is after all an appetising asset strip. Elders is evidently most interested in the brewing operations and, so long as it could find buyers for the food interests and the wines and spirits business, could probably extract sufficient cash from the breweries and from leasebacks on the tied estate to pay down the residual debt and make a tidy return.

But the logistics are truly formidable. If Elders went it alone the new group would show debt of roughly £3bn and equity of about £2bn. Even the most sympathetic banks might blench at that. And Allied would not be short of ammunition even if Elders found partners with deep pockets.



The UK company is only 20 per cent geared and has unissued share capital worth £385m at last night's price of 285p. So a defensive bid – even for Elders itself – is by no means out of the question.

Allied now has six weeks in which to build its defences – longer if the Office of Fair Trading decides that the bid takes open competition policy a touch too far – and can count on at least some shareholder loyalty. It can have some fun at the expense of Elders' accounting policies – not least in respect of how capital profits are taken through the revenue account – and can drum up familiar arguments about managements biting off more than they can chew.

In a cash offer that may not make much impact. But if all else fails Allied can always remind Elders' bankers of Britain's last great brewing battle. Grand Metropolitan acquired Watney, Mann and was then almost crucified by the cost of paying for it.

Cadbury Schweppes

To describe the half year results of Cadbury Schweppes as a disappointment to the City would be understating the case. An adverse currency translation effect was not too hard to guess at – Cadbury was seen in advance to be hobbled by the sliding Australian dollar, collapsing rand and soft peseta – but nobody had an inkling that profits in the U.S. were about to disappear. The total of £33.8m before tax, when £40m might have been expected, came as something of a shock.

Cadbury's chief operational disaster was the seizing up of its U.S. distribution pipeline, which had swallowed up more chocolate than it could possibly deliver. Losses in the first half of this year reflect the cost of under-producing while the excess stock is drained away, and of switching the balance of promotional spending away from trade bonuses towards consumer advertising. Profits should bounce back in 1986, but this experience has left the stock market with sticky palms.

Similar problems with Easter eggs – too many pushed into the trade before last Christmas and too few actually sold in the spring – may have stored up a lean selling season to come. Again, that should not be too damaging for next year, but it leaves 1985 beyond hope of resurrection. At 134p, down 10p, the shares have a yield of over 6 per cent to help them live down the shock.

Lucas

Hounded by takeover rumours, pressed by continuing rationalisation costs, Lucas must have cast many a covetous glance at its swollen pension fund – worth roughly three times Lucas's market capitalisation. Given the strong markets of the past couple of years, and the fact that Lucas has certainly not been expanding its pension liabilities by a hiring spree, the thought that Lucas would arrange a contribution holiday should perhaps have been discounted in the share price before yesterday's announcement.

In the event it put 10 per cent on the shares. Since the pension fund holds 13 per cent, that will have increased the existing overprovision by some £35m. The abatement of annual contribution – roughly £20m – could thus be expected to become a perpetual feature of the Lucas profit and loss account; shareholders and beneficiaries alike would seem to benefit in proportion to each reduction. The consequence that everyone would be best off if the pension fund were wound up is possibly an Achilles heel.

£22m error as Lloyd's loss tops £188m

By John Moore in London

A £22m ($30m) accounting error was discovered by the authorities of the Lloyd's insurance market in London on the eve that it was due to publish the worst underwriting results in its near 300-year history.

The surprise development was revealed yesterday by Mr Peter Miller, chairman of the Lloyd's market, as he announced underwriting losses of £188m and a fall in the overall profits of the market, which include earnings from investment income, of nearly £100m to £57m. The latest figures are those for the 1982 underwriting account, the latest completed trading period.

The accounting problems emerged late on Wednesday after 40,000 copies of the report and accounts had been printed for distribution. The accounts showed that the underwriting losses and overall profits were £22m higher before the accounting upset was discovered.

Mr Miller said that the error had been discovered by a member of the Corporation of Lloyd's accounting staff who had been checking the figures. He added that the error was the result of figures wrongly reported by two auditing firms, which he refused to identify, acting for one of the underwriting agencies who look after the affairs of Lloyd's members in the market. "We are carrying out an investigation," he said.

Lloyd's has been hit by a variety of problems in its last completed trading period. The worst underwriting results arose on general liability business which had produced losses of £425m, compared with £196m in the previous underwriting account.

Underwriters attributed the losses to the large awards being made in the U.S. courts against industrial companies in liability cases. A large amount of liability insurance is taken out by U.S. companies with Lloyd's underwriters. Mr Miller warned yesterday that unless changes can be introduced Lloyd's would consider pulling out of general liability business in the U.S.

"Virtually all of the losses are coming from an area that generates only 12 per cent of our premiums."

Background, Page 6

UK Government to sell remaining stake in Cable and Wireless

BY JASON CRISP AND STEFAN WAGSTYL IN LONDON

THE BRITISH Government yesterday announced plans to sell its remaining 23 per cent stake in the Cable and Wireless telecommunications group before next April, in the latest stage of its privatisation programme.

The sale of the shares – worth £569m ($781m) at yesterday's stock market closing price of 555p – would bring the amount raised from public asset sales in the current financial year to over £2.5bn, the Treasury's unofficial target.

The Government, however, intends to retain its special share in the company which allows it to prevent the threat of takeover by limiting shareholdings to a maximum of 15 per cent.

There was widespread speculation in the City of London that the company would take the opportunity to launch a rights issue even though Sir Eric Sharp, chairman of C&W, said as recently as June there were no plans for a rights issue in the near future.

However, the group has substantial investment programmes in Hong Kong and in Mercury, the private telephone group, in the UK. It is also going to invest in a joint venture with Tel-Optic of the U.S. to build two transatlantic telephone cables using optical fibres which will cost up to $600m at the end of the decade.

C&W has been one of the most successful companies to have been sold by the Government, with pre-tax profits rising from £64.1m at the time of the flotation in 1981 to £245m in the year to March 1985.

The sale of the final 23 per cent could raise more than the total achieved in the two previous disposals. The Government sold its initial 49.4 per cent at the equivalent of 112p, raising £224m gross. Two years later it sold a further 22 per cent for £275m in a tender offer which flopped with 30 per cent left in the hands of the underwriters. Between the two issues its stake was further diluted when the company issued shares to acquire the Hongkong Telephone Company.

The earliest the new offer can take place is the end of November when a government undertaking not to sell more shares expires. In choosing date the Government will have to avoid the flotation of the Trustee Savings Bank in February.

Cable and Wireless has come forward in the privatisation agenda because the flotation of British Airways – originally scheduled to take off in the current financial year – has been postponed until May or June 1986. News of the sale came as little surprise to the City which was well aware of the Government's need to fill a hole in its funding programme.

C & W's share price has largely been unaffected by the problems of the electronics sector as its business is principally as an international telecommunications operator. Over half its revenues come from the Far East and South Pacific, most of which is generated in Hong Kong.

It is currently investing heavily for the first time in the UK through Mercury, the new company set up to challenge British Telecom's monopoly of the telephone network. Investment in Mercury to date has been more than £88m.

A measure of the Treasury's urgency is that it is asking merchant banks and stockbrokers interested in handling the sale to put in their names by next Friday. The company's financial adviser is Kleinwort Benson and its broker is Cazenove.

Australian Liberals dismiss Peacock

Continued from Page 1

plunge into its worst recession for half a century. Mr Howard's last budget – six months before the March 1983 general election that saw Labor swept to power – was a give-away affair that harmed his reputation. Yet it is clear that his hands had been tied by Mr Fraser.

"The thing that bothered me about that budget," Mr Howard said recently, "was that for six years we had preached the virtues of restraint and frugality, and we gave the appearance in the 1982 budget of throwing money at our problem."

During the 1984 election campaign, Mr Howard harped on the Hawke Governments "fortuitous" and expedient economic record, and claimed that it had further tightened and centralised Australia's wage-fixation system, "facilitating a major transfer of power to the trade union bureaucracy."

He promised that a future conservative Government would scrap the Arbitration Commission and replace it with a new industrial tribunal that would be responsible for fixing minimum wages and conditions, as well as "prevention and settlement of industrial disputes."

Such moves would be in starkest contrast to Labor's centralised, tripartite approach, which is based on the Hawke pay accord with the unions, for which a two-year renewal was negotiated this week.

In other words, the main electoral battlefield between Mr Hawke and Mr Howard may well be union power, industrial relations, and wage determination. Mr Hawke is a former president of the ACTU (Austrialian Council of Trade Unions) and an expert on industrial relations, as well as union affairs. He will thus have a head start.

On foreign policy, Mr Howard is staunchly pro-American. He supports President Reagan's nuclear policies and star wars project.

Whatever its calmness yesterday, Mr Hawke's Government knows that the rules of the game have changed. Jokes about Mr Peacock and *La Dolce Vita* can be thrown out of the window.

Business circles and politicians were agreed last night that the change would provide a boost for the Liberals.

Nigeria seeks deal with IMF

Continued from Page 1

agreement so far has been the vexed issue of the exchange rate of the naira, which trades at around a fifth of its official value on the black market. The Governor left open the question of what form of exchange-rate adjustment might be acceptable. An initial 60 per cent reduction followed by further adjustments has been proposed by the IMF. Some Nigerian economists favour a multiple-exchange-rate system.

The Governor stated clearly that "an adjustment in the exchange rate is desirable" although he refused to be drawn on the question of timing. He added that the change must be "continuous and dynamic."

Nigerian public opinion appears to be strongly against an IMF deal at present. Nigerian newspapers have published numerous critical articles, including a statement by the Nigerian Labour Congress expressing categorical opposition to the conditionality, normally attached to an IMF agreement.

Many business executives and bankers, both Nigerian and foreign, appear to support such a programme, however, as the country's best hope of gaining a breathing space to embark on urgent structural reform of its oil-dependent economy.

General Babangida has called for a national debate on the IMF issue, which Governor Ahmed said he saw as an opportunity to re-educate Nigerians as to what a Fund programme would entail.

Although he admitted that the inflationary impact of an exchange-rate change might strain the pocketbooks of the average Nigerian, he was confident that as suspended credit lines were re-established and the flow of imports increased, such distortion could be minimised.

There is evidence that international banks have begun suspending confirming lines to Nigeria recently as delays of current trade payments have lengthened to as much as 120 days, although the Governor emphasises that the average delay was around 60 days.

He hoped the problem could soon be dealt with as oil production increases. It has picked up from under 1m b/d in July and part of August to nearer Nigeria's Opec quota of 1.3m b/d in the past fortnight.

Alhadji Ahmed refused to be drawn on the question of the timing of an exchange-rate adjustment and other changes envisaged under a Fund programme.

Opinion among economists, bankers and businessmen in Lagos appears divided over whether devaluation should be timed to coincide with the next harvest (due in the second quarter of next year) or should be implemented as soon as practicable.

World Weather

		°C	°F
Ajaccio	S	26	79
Akrotiri	S	29	84
Algiers	S	29	84
Amsterdam	C	17	63
Athens	S	30	86
Bahrain	S	39	102
Bangkok	C	32	90
Barcelona	S	28	82
Beirut	F	30	86
Belgrade	F	21	70
Berlin	F	17	63
Biarritz	S	22	72
Blackpool	F	14	57
Bordeaux	C	21	70
Brussels	C	18	64
Budapest	F	21	70
B. Aires	S	22	72
Cairo	S	33	91
Cape Town	S	18	64
Caracas	C	28	82
Casablanca	S	28	82
Copenhagen	F	15	59
Corfu	S	31	88
Dublin	F	14	57

		°C	°F
Dubrovnik	S	25	77
Faro	S	27	81
Florence	S	30	86
Frankfurt	R	15	59
Funchal	S	27	81
Geneva	S	22	72
Gibraltar	C	23	73
Guernsey	S	16	61
Helsinki	C	13	55
H. Kong	R	28	82
Innsbruck	F	18	64
Inverness	C	9	48
Istanbul	F	23	73
Jersey	C	15	59
Jo'burg	S	18	64
Las Palmas	S	32	90
Lima	C	19	66
Lisbon	S	28	82
Locarno	S	23	73
London	C	17	63
Los Angeles	S	21	70
Luxembourg	D	14	57
Madrid	S	29	84
Majorca	S	29	84

		°C	°F
Malaga	F	27	81
Malta	S	28	82
Manila	S	32	90
Miami	C	31	88
Milan	S	25	77
Moscow	S	23	73
Munich	C	16	61
Nairobi	C	25	77
Naples	S	30	86
New Delhi	S	37	99
New York	C	33	91
Nice	S	25	77
Oporto	S	26	79
Oslo	F	13	55
Paris	R	18	64
Prague	R	16	61
Reykjavik	F	6	43
Rio de J'o	C	27	81
Rome	S	28	82

		°C	°F
Salzburg	C	18	64
Seoul	S	30	86
Singapore	C	31	88
Stockholm	F	16	61
Strasbourg	R	18	64
Sydney	S	19	66
Taipei	C	31	88
Tangier	S	31	88
Tehran	—	—	—
Tel Aviv	S	28	82
Tenerife	S	29	84
Tokyo	S	32	90
Toronto	R	27	81
Tunis	S	31	88
Valencia	S	29	84
Venice	S	24	75
Vienna	S	21	70
Warsaw	F	16	61
Zurich	S	21	70

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

S. Africa plea to U.S. on sanctions

Continued from Page 1

that they would be treated equally with other creditors. He said he had erroneously given the impression at a press conference in New York on Wednesday that deposits by U.S. banks with South African institutions were exempt from the payments standstill.

In fact, that only applies to rand working balances with the reserve bank, he said.

Dr de Kock has so far given little indication of the nature of the rescheduling he now expects to negotiate. Commercial bankers expect, however, that it would involve a maturity not longer than five years.

The maturity question is a difficult one, because the rescheduling has to give South Africa enough time to reduce its debt, but cannot extend too far into the medium term because of the background of political uncertainty.

Commenting on Dr de Kock's earlier statement that South Africa might undertake additional gold swaps in the near future, bankers said that would provide cash for payments of debt not covered by the standstill such as interest, bond issues and foreign export credits.

Tony Hawkins in Johannesburg adds: The South African rand remained weak yesterday despite the publication of South African foreign reserve figures showing that these climbed more than 28 per cent last month to R5.7bn. However, the rise in the country's reserves was discounted in the market because it was mainly explained by the revaluation of South Africa's gold holdings as a result of the fall in the rand exchange rate and the consequential rise in the rand price of gold.

Foreign exchange dealers said that the rand closed slightly lower on the day at 39.6 U.S. cents in exceptionally quiet trading.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday September 6 1985

Senior Hutton executive to quit

By William Hall in New York

MR THOMAS LYNCH is to step down as chief financial officer of E. F. Hutton, the second-biggest independent U.S. brokerage firm, following the release of the long-awaited investigation into the firm's controversial cash management practices.

Mr Lynch, who until recently was president of Hutton, is the most senior Hutton official to be severely criticised by the investigation, undertaken by Mr Griffin Bell, a former attorney general in the Carter administration.

After 10 weeks of inquiry, 300 interviews and thousands of hours of study by a team of 14 lawyers, Judge Bell's report concludes that the top management did not participate in any illegal activities. The investigation was started following Hutton's decision to plead guilty on May 2 to more than 2,000 counts of mail and wire fraud as a result of an elaborate scheme whereby the group shuffled money around its system and earned substantial interest on deposits which were not often there.

The report faults Hutton's highest officials for "failing in their duty to properly manage and detect the improperties" but Mr Robert Fomon, Hutton's chairman, does not come in for particularly strong criticism and Mr George Ball, the former president of Hutton who left in 1982 to head Prudential-Bache Securities, is also absolved of any blame.

The Bell report makes a number of recommendations, including a sweeping reorganisation of the Hutton board by bringing in a majority of outside directors and a strengthening of its system of internal controls.

However, it concludes that the failure of the company's directors to detect the problems does not rise to a level that would require sanctions against any directors.

Judge Bell criticises Mr Lynch and Mr Thomas Rae, the firm's general counsel, for failing to institute adequate controls and for failing to turn over all relevant internal documents subpoenaed by federal investigators.

Merrill Lynch may collect $9m SCM fee

MERRILL LYNCH, the major U.S. brokerage firm which has agreed to finance a management buyout of SCM, the New York-based conglomerate, will receive a $9m fee if SCM is taken over by Hanson Trust, which has put in a higher bid, our New York staff writes.

Details of the unusual fee are given in an SEC filing after SCM reached a definitive agreement to be taken private via a $70 per share cash tender offer financed by Merrill and the Prudential Insurance Company of America.

Financier Mr Ivan Boesky announced that he had bought a 12.1 per cent stake in SCM between August 22 and 29 at prices ranging between $63.375 and $68.125.

IRI confident of cutting losses by L1,000bn this year

BY JAMES BUXTON IN ROME

IRI, the Italian state industrial holding group, expects to reduce its losses by about L1,000bn ($530m) this year. Last year IRI lost L2,724bn, compared with L3,198bn in 1983.

The company is also expecting an increase of about L1,400bn in gross operating margin, expected to reach L9,000bn, and a drop in debt service costs as a proportion of sales. Debt servicing, which accounted for 14.8 per cent of turnover in 1984, should be equal to 11.5 to 12 per cent in 1985.

Sig Antonio Zurzilo, the company's director general said that this was still excessively high.

The biggest single reason for IRI's improved results in 1984 was a drop of L500bn in losses of Finsider, the state steel corporation, which last year lost L1,595bn. A similar reduction should be achieved this year.

Sig Zurzilo said that IRI had sold assets, including entire subsidiaries and stakes in subsidiaries, totalling L2,846bn from 1983 until August 1985. This week Stet, the telecommunications holding company, decided to sell off about 30 per cent of its stake in SIP, the telephone utility, raising L950bn.

Sales worth a further L3,000bn are planned for the medium and long term. Two thirds of this amount would be raised by means of convertible bonds and warrants.

● Efim, the smallest of Italy's three state holding companies, which operates mainly in engineering and aluminium, reduced its losses last year from L784bn in 1983 to L569bn in 1984. Sales last year were L4,355bn, compared with L4,230bn in 1983.

Danieli wins fivefold increase in orders

BY JAMES BUXTON IN ROME

DANIELI, the successful Italian manufacturer of mini-steel mills, last year boosted its profits and saw a near fivefold increase in its order book.

The company, managed by Sra Cecilia Danieli, made net profits at the group level of L23.5bn ($12.3m) for the year ended June 30, compared with L20.9bn in 1983-84.

Consolidated sales were up from L196.8bn in 1983-84 to L239.6bn in 1984-85.

The order book jumped from L248bn at the end of June 1984 to L1,212bn at the end of June 1985. The main reason for this rise was the winning of two major orders in the Soviet Union, but big orders were also won in Italy, the rest of Europe and the U.S.

Sra Danieli says the company is among the six leaders in the world for the supply of plants, machinery and technology for the steel sector.

Since May 1984 Danieli shares have been quoted on the Milan Stock Exchange. The company is to pay a dividend of L220 per share. This means a 32 per cent jump in dividend, taking into account the free issue of capital carried out during the year.

Court freezes Epic mortgage group funds

BY OUR NEW YORK STAFF

A U.S. federal court has ordered a temporary freeze on any distribution of funds by the mortgage banking unit of Equity Programs Investment Corporation (Epic), the troubled property investment and mortgage securities group whose problems caused a run on deposits at its corporate parent, the Community Savings and Loan Association of Bethesda, Maryland last month.

The freeze, which comes amid continuing widespread concern following Epic's disclosure last month that it had failed to make payments on about $1bn of mortgage-backed securities, was prompted by a request from two banks that the Epic mortgage unit be placed under a receiver.

First National Bank of Washington and the First National Bank of Maryland, which are trustees for the Epic mortgage-backed securities, filed suit last week asking the courts to appoint a receiver.

The temporary injunction was imposed pending a full trial on the issue of appointing a receiver. The court also ordered Epic officials to provide full accounting of the funds and place the money in an escrow account.

The federal judge said in his ruling that Epic had failed to provide the trustees with information about insurance on the mortgages and had failed to give any assurances "that any funds will not be used for purposes other than to pay the amount due to the certificate holders."

Epic's problems have sparked fears that its difficulties could lead to a loss of investor confidence in the rapidly growing mortgage-backed securities market.

In an apparent attempt to prevent this happening investment bankers are believed to be scrambling to put together a rescue package under which Epic would be acquired by another major property company – providing insurers contribute up to $100m to cover missed mortgage and mortgage-securities payments and help offset any further losses.

CIBC on recovery track at 9 months

By Bernard Simon in Toronto

CANADIAN Imperial Bank of Commerce (CIBC) has sustained its recent recovery with net earnings rising strongly to C$92.8m (U.S.$67m) or C$1.43 a share in the three months to July 31 from C$68.7m or C$1.11 a year earlier.

Income in the first nine months rose by 34 per cent to C$260m and the bank's third-quarter return on assets grew from 0.4 per cent to 0.5 per cent. CIBC is Canada's third-largest banking group.

Senior management changes in the past 18 months appear to have contributed to the bank's rapid comeback after earlier concerns about low morale and its heavy exposure to some of Canada's largest and most troubled corporate debtors.

The third-quarter improvement was due partly to a doubling of international income, ascribed to wider interest margins, loan fee and foreign-exchange earnings and receipt of interest on loans to Argentina and other governments.

Domestic earnings rose 10 per cent. Higher interest and fee income was offset by an increase in expenses and loan loss provisions charged to income.

Total provisions rose by C$8m to C$121m. Non-performing loans stood at C$1.7bn on July 31, C$280m lower than the level three months earlier.

CIBC's assets have increased by 8 per cent in the past year to C$73.8bn on July 31, mainly reflecting expanded consumer and mortgage business.

All six leading Canadian banks have posted higher earnings in the third quarter and several have recently strengthened their capital bases. The results appear to confirm the general impression that the difficulties that led to last weekend's collapse of two small Alberta banks will not threaten the stability of the country's leading institutions.

AT&T ready to produce 1m-bit chip

AT&T, the U.S. telecommunications group, said yesterday it had begun producing a 1m-bit computer memory chip for inspection and testing by customers.

AT&T claimed it was the first U.S. company to reach this advanced stage in the production of a megabit random access memory chip.

The chip, about one-eighth the size of a postage stamp, can store data equal to 100 typewritten pages – four times as much as the most advanced computer memory chip now available.

Mr John Nemecek, executive vice-president of AT&T 's components and electronic systems division, said that in addition to quadrupling the memory capacity of computers and network switches, the megabit chip "will eventually double processing speeds, cut memory cost by a factor of four and shrink desktop computers to briefcase size." AP-DJ

BATTLE TO STABILISE THE RAND IMPOSES NEW PRESSURES ON SOUTH AFRICAN BANKS

Nedbank caught in the crossfire

BY TONY HAWKINS IN JOHANNESBURG

SOUTH AFRICAN banks are in the forefront of the battle to stabilise the rand and none more so than the country's third largest banking group, Nedbank, which has found itself caught in the crossfire between Pretoria's four-month moratorium on foreign loan repayments and the demands of its foreign depositors.

In South Africa, Nedbank has long been known for its aggressive management style. In recent years it has aimed at increasing its market share in the wholesale and corporate banking markets, which included raising foreign loans for South African parastatals and private sector clients. One firm of Johannesburg stockbrokers estimated in a recent market report on Nedbank – in which, incidentally, it advised its clients to buy the shares at a price of 1,380 cents – that at least 35 per cent of Nedbank's assets are foreign.

Its growth record is impressive. When earnings per share slipped 15 per cent in the year to September 1984 it was the first earnings decline in 26 years. Between 1979 and 1984, earnings more than doubled from 54 cents to 117 cents.

Because Nedbank has set its sights on corporate business it has avoided the high overheads experienced by the two largest banking groups in South Africa, Barclays with assets at the end of last year of R19.4bn (about $6.9bn) and Standard Chartered with R16bn in assets. Nedbank with R12.8bn of assets has a relatively small network of 219 branches throughout South Africa.

In addition to the commercial banking arm, UAL merchant bank with assets of some R850m is a wholly owned subsidiary and the group also operates in the leasing and medium-term finance fields. Overseas operations include branches in London, New York, Hong Kong, Cayman Islands, Jersey and Zurich and there are also representative offices in Frankfurt and Zurich.

The downturn in profits last year continued – albeit at a slower rate – in the first half of the current financial year which ends on September 30. In the six months to March, Nedbank's operating income fell 8.2 per cent to R46.2m, but the interim dividend was maintained at 21 cents.

In its half yearly report, the bank said that while volatile currency markets had led at times to trading losses these had been absorbed by the commercial and merchant banks. "The group has no open or exposed foreign exchange position," the statement added.

Nedbank's critics say it has made two major errors in the past 18 months. First it positioned itself last year for lower interest rates and found itself squeezed when rates not only remained high but continued to climb. As a result the mid-term statement in April this year reported a negative investment return of 9 per cent on a large proportion of its fixed interest assets.

This was a major reason for the 1984-85 slump in earnings. Interest rates are moving lower now which will have eased the position.

The second mistake was to have been as aggressive as it was in raising foreign loans for South African clients. This is an easy judgment to make with the benefit of hindsight. But in fairness to Nedbank it was simply acting rationally raising funds for clients at lower interest rates abroad than in the domestic market, encouraged to do so as well by the central bank. Now, with Pretoria having declared a four-month freeze on foreign loan repayments Nedbank is in a decidedly uncomfortable position, partly because it apparently is responsible for the largest single chunk of such foreign borrowing by a South African bank on behalf of domestic clients and partly because it lacks the overseas parentage enjoyed by Barclays and Standard.

IKB maintains profit and dividend levels

BY JOHN DAVIES IN FRANKFURT

IKB, the long-established West German banking group, has maintained its sturdy profit record and is paying an unchanged dividend.

The group, whose activities include financing small and medium-sized industrial companies, had net interest rate earnings of DM 205.8m ($72.3m) in the year ended March 1985, 4.6 per cent higher than the previous year.

Operating earnings, which have not been disclosed, increased to a lesser extent as a result of a rise in administration costs. After risk provisions and transfers to reserves, net profit was unchanged at DM 24.3m with the dividend held at DM 7.50 per share.

The shareholders in IKB (Industriekreditbank – Deutsche Industriebank) include the "big three" commercials banks – Deutsche, Dresdner and Commerzbank – as well as chambers of industry and commerce, and insurance companies.

IKB, with headquarters in Düsseldorf and West Berlin, increased its balance sheet total by 6.6 per cent to CM 14.44bn in the last financial year.

The bank is expected to make a capital increase this year and is also seeking shareholders' authority to issue profit-sharing certificates *(Genussscheine)*, although it says there are no concrete plans for the issue of these certificates at this stage.

Swedyard decision on Consafe rescue near

BY DAVID BROWN IN STOCKHOLM

SWEDYARD, the Swedish state-owned shipbuilding company, is expected to decide today on a new proposal from several Scandinavian banks aimed at unlocking a rescue package for Consafe, the financially troubled offshore services group.

Swedyard, which has guaranteed some 80 per cent of Consafe's SKr 3bn ($356m) long-term debt, has insisted that the banks inject fresh capital as a precondition to releasing its own rescue package worth some SKr 6m.

Mr Hans Cavalli-Bjørkman, managing director of Scandinaviska Enskilda Banken, said: "We have proposed to put up SKr 75m in new liquidity. We believe we have found one solution." He said he hoped for a response today.

The banks, led by SE-Banken and including the state-owned Investeringsbanken and Den norske Creditkassen of Norway, have guaranteed some 20 per cent of the remaining Consafe debt.

Consafe has exhausted its liquidity and has asked for a final decision today. It is currently being kept afloat by Swedyard's agreement to defer loan payments pending conclusion of the talks.

The Swedyard fresh loans and guarantees include the proviso that Consafe sell most of its fleet – probably at a large loss – and concentrate on the operation of offshore accommodation and service platforms.

EUROBONDS

Nationwide taps sterling FRN market

BY MAGGIE URRY IN LONDON

NATIONWIDE Building Society of the UK tapped the Eurosterling floating rate note market for £200m yesterday while the U.S. Federal National Mortgage Association (Fannie Mae) topped a list of Eurodollar issuers with a $300m deal.

The Nationwide issue, led by Credit Suisse First Boston, follows an issue earlier this week by the Halifax, the first building society to take advantage of new rules which allow the societies to pay interest gross on Eurobond issues from next April.

Like the Halifax, Nationwide is paying interest at ⅛ per cent above London interbank offered rate (Libor), the first coupon after six months, and then quarterly. Fees were set at 40 basis points, as for the Halifax, but the Nationwide bonds have a 10-year life with put options after five and seven years, compared to the seven year maturity for Halifax's issue.

Both issues were trading just within their full commissions yesterday. There is good interest in the names, which are regarded as top quality, but traders expect a flow of such paper and are happy to wait in the hope that they will be able to buy it cheaper. For the building societies, the cost of borrowing in the wholesale markets is lower than the traditional retail deposits on which they rely heavily.

Fannie Mae's issue was one of four fixed rate Eurodollar issues, despite a nervous market ahead of last night's U.S. money supply figures and further economic statistics due today. The issue matures on June 10 1992 to coincide with a domestic issue into which the Eurobond will be convertible. The terms were set at a 10¼ per cent coupon, the same as for the domestic bond, and priced at 99¾ by lead manager S. G. Warburg.

Dealers felt that the bonds were not attractive at the issue price and argued investors would make a loss on conversion because the U.S. issue pays semi-annual coupons and the Eurobond annual coupons. The issue was quoted at 97¼, a discount outside the 1⅞ per cent fees, though Warburg was quoting a higher price.

Commonwealth Bank of Australia launched a $100m issue, considered tightly priced by dealers. Terms were set by CSFB at an eight-year life with a 10 per cent coupon and par issue price. Fees total 2 per cent and the bonds were bid at a discount around that level.

Late in the day Gaz de France, like CBA a well-liked name in the bond market, launched a $100m issue which is partly paid. The five-year bonds have a 9⅝ per cent coupon and issue price is 101. Investors must pay 11 per cent in October with the balance after a year. Société Générale is the lead manager. Syndicate managers pointed out that partly-paid issues have not proved popular and said that the terms were too fine.

C. Itoh, the Japanese trading house, is raising $50m through a five year 10¼ per cent bond issued at 101⅜ and led by Manufacturers Hanover.

An equity-linked deal for Ricoh, the copier company, was led by Nomura International. This is for $100m and has a five year maturity. The coupon was indicated at 6¼ per cent and the bonds were trading around the 1¼ per cent selling concession.

Commerzbank announced an increase for the D-Mark issue launched on Monday for Portugal, from DM 200m to DM 250m. The bonds continued to trade well, at a discount of around ⅞ point to the 100¼ issue price.

D-Mark bonds gained around ¼ point yesterday, with good demand coming from abroad and investors looking to pick up bonds after the falls over the previous couple of days. Domestic bonds rose even more.

Prices in the Swiss franc foreign bond market were mixed again yesterday, with volume low.

Union Bank of Switzerland announced a SwFr 50m private placement of THK, the Japanese components manufacturer, with a five-year life, a coupon of 5⅝ per cent and a par issue price.

Swiss Volksbank is leading a SwFr 25m convertible issue for Tokyu Tourist. This has a five year maturity and the yield is indicated at 1⅜ per cent.

Credit Suisse cut the coupon for Tokyo Printing Ink's SwFr20m issue from the indicated 5¾ per cent to 5⅝ per cent for the five year deal.

SBC is expected to indicate terms today for a SwFr 12m private placement for Marumi China.

BHF Bank bond average		
Sept 5		Previous
105.375		105.150
High	1985	Low
105.417		99.840

Deutsche Bank

An error by our German printers resulted in a report on this page yesterday that Deutsche Bank had postponed the National Bank of Hungary's DM 150m Eurobond issue. This was incorrect.

The paragraph should have read: Deutsche Bank postponed an expected DM 50m private placement for a Liechtenstein bank. Tuesday's DM 150m issue for the National Bank of Hungary traded around 97 compared to the par issue price, well outside the 2¼ per cent fees.

INTERNATIONAL COMPANIES and FINANCE

Outside capital for Singapore broker

By Chris Sherwell in Singapore

A THIRD Singapore stockbroking firm has acquired an outside investor. This points to a trend which will gather pace if, as expected, the Stock Exchange's rules concerning outside participation are reformed in the next few months.

The latest development concerns Associated Asian Securities, a minor firm among the two dozen operating in the island state. Growth Industrial Holdings, whose principal asset is a substantial stake in Pan-Electric Industries, is taking a 25 per cent stake in the firm in the form of non-cumulative participating preference shares.

Earlier this year, a private company related to the Kwek family, which controls the vast Hong Leong group, acquired a substantial stake in another firm. Tsang and Ong Stockbrokers, through the purchase of non-voting preference shares. A third firm, J. M. Sassoon, is 25 per cent owned by the Kuwait Investment Office, the only case of a foreign stake in a local firm.

A committee of the Stock Exchange of Singapore has been reviewing its rules and is likely to propose reforms abolishing the 25 per cent limit and allowing outsiders a substantial share—perhaps up to 49 per cent — in the common equity of member firms. Direct membership of the exchange by foreign broking firms seems unlikely at present.

The prospective change is in line with efforts to develop Singapore's status as an international financial centre. The Government is more inclined than ever to entertain proposals for the development of the capital market, and has already suggested an unlisted securities market and an increase in the number of foreign companies listed in Singapore.

Foreign broking firms based in the region have been waiting patiently for the results of the Stock Exchange's rule review and say changes are being hampered by the desire of many local firms to protect their own lucrative business.

Local firms charge a 1 per cent commission on deals they handle — high by international standards — and even charge Singapore-based foreign brokers ½ per cent commission simply for executing transactions which are their monopoly. The effect is to make it cheaper to trade in Singapore stocks in London, a self-defeating situation for the financial sector.

This week's announcement by Growth Industrial Holdings follows the disclosure last month that a former Malaysian Cabinet member and ambassador, Datuk Mohamed Rahmat, had acquired a strategic 16.5 per cent stake in the company

Hongkong Land makes progress

BY MICHAEL CASSELL, PROPERTY CORRESPONDENT

HONGKONG LAND, one of the world's largest property development and investment groups, made further steady progress towards a full recovery during the first half of 1985.

Aided by a marked improvement in the local property market, Land pushed up profits attributable to shareholders from HK$175m to HK$193m (US$24.7m), but there is again no ordinary interim dividend. In 1984 the group recorded a final net profit for the 12-month period of HK$50m.

Mr David Davies, managing director, said the group's prospects had brightened considerably during 1985. He would be disappointed if performance in the second half of the year did not show a significant improvement over the first six months. He was "extremely optimistic" about prospects for the Hong Kong property market.

Extraordinary items arising in the first half but not included in the six-month results include the disposal of Dairy Farms operations and the sale of an interest in a building in Kuala Lumpur.

The recovery in the property sector means that the group's property activities accounted for 70 per cent of first-half operating profits against 66 per cent in 1984. The occupancy rate throughout Hongkong Land's investment portfolio now stands at 87 per cent, compared with 75 per cent at the end of 1984. The improvement in space take-up means that the group's 6m sq ft portfolio has seen a net gain of about 700,000 sq ft in space let, against a total of 220,000 sq ft for the whole of 1984.

At Exchange Square, the group's 1.2m sq ft harbourfront office development, 55 per cent of the floorspace is now leased and the latest tenants include Citicorp and James Capel. Of the 636,000 sq ft signed up, around 450,000 sq ft involves tenants new to Hongkong Land and 100,000 sq ft represents occupiers taking their first space in the territory.

The group has also made further progress in reducing its debt burden. Mr Davies said that by mid-year debts had fallen to HK$10.7bn (70 per cent of shareholders' funds), representing a HK$3bn reduction since the end of 1984. The debt position, he added, was now regarded as "quite comfortable" and he pointed out that over 40 per cent of its remaining debt was on fixed interest rates at an average of 10.5 per cent.

Sanko Steamship to cut fleet

TOKYO — Sanko Steamship plans to reduce its fleet of about 260 vessels to 120-130, concentrated on profitable small-sized bulk carriers, under its reconstruction plan.

The plan was presented to nine major trading houses—the main owners of ships chartered by Sanko—by Mr Mitsuhide Miyata, a court-appointed lawyer in charge of preserving and managing the company's assets.

Sanko, the world's biggest tanker operator, is burdened with enormous debts and applied for relief and reconstruction under the corporate rehabilitation law on August 13.

The plan calls for reducing charter fees for four years until the end of March 1989, and cancelling charter contracts for tankers which have no loading pledges from users, as well as older bulk carriers.

In addition, contracts for about 60 tankers and old bulk carriers chartered from overseas shipowners will be cancelled.

The nine trading houses, including Marubeni, Sumitomo, and Nissho-Iwai, have chartered out a total of 69 new small-sized bulk carriers to Sanko. These vessels were built at Sanko's request.

Under the reconstruction plan, Sanko will also charter a total of 21 vessels now being built or planned for construction by these trading firms.

At present, Sanko is paying interest of some 8 per cent a year on the construction costs of the bulk carriers built by the trading companies in the form of charter fees. Sanko wants the rate lowered to about 5.5 per cent.

Moreover, the plan calls for a four-year moratorium on Sanko's payments to cover the construction costs.

The trading firms are generally inclined to co-operate. But some of them criticise the plan as forcing heavy sacrifice on trading firms.

Kyodo

Bombay eases share trading restrictions

By R. C. Murthy in Bombay

THE BOMBAY Stock Exchange, India's largest, has eased its restrictions on trading, imposed in late July to deal with the wave of speculative buying triggered by Mr Rajiv Gandhi's budget. The uniform margins imposed then on all shares traded on the BSE have been replaced by restrictions on dealings in selected securities.

Brokers were asked by the authorities on July 25 to deposit with the exchange 40 per cent of their daily turnover. Strong protests from the broking community forced the BSE a week later to modify this uniform margin to 30 per cent for dealings in 55 of the most actively traded shares and 20 per cent for the remaining 1,600-odd issued listed.

With effect from yesterday, only 10 shares out of the list of 55 will attract margins, at varying rates. For Reliance Industries and Century Spinning, two leading stocks, the rate has been set at about 15 per cent.

Relaxation of the margins yesterday had no perceptible effect on prices, which have been falling steadily over the past two weeks.

Batu Kawan sells 31% of Duff

BY WONG SULONG IN KUALA LUMPUR

MR NIK MOHAMED DIN, a Malaysian stockbroker, has reached a deal to buy over 31 per cent of Duff Developments, a publicly listed plantation company, for 33m ringgit ($13.5m).

He will buy 4.35m shares from Batu Kawan, a plantation company controlled by Tan Sri Lee Loy Seng, Malaysia's biggest private plantation owner.

This values Duff shares at 7.6 ringgit each, compared with the market price of 6.65 ringgit. Mr Nik Mohamed, however, will not be required to make a general cash offer since the purchase falls short of the 33 per cent trigger point.

After the sale, Batu Kawan's stake in Duff will be reduced to 27.7 per cent.

The sale of Duff is the latest in a series of corporate moves over two years by Tan Sri Lee to rationalise his diverse plantation interests, which at one stage where spread over eight publicly listed companies.

He has since concentrated most of his plantation interests in Kuala Lumpur-Kepong, in which he and his associates are believed to hold more than a 40 per cent stake. KLK owns 175,000 acres of rubber, oil palm and cocoa estates, making it the fourth biggest plantation group in Malaysia.

Mr Nik Mohamed is known to have a fair amount of property and agricultural holdings, and it is likely that some of these assets would be injected into Duff at a later stage. He is also a director of MBF Holdings, the finance and property group.

Nippon Steel reduces estimate of earnings

BY CARLA RAPOPORT IN TOKYO

NIPPON STEEL, the world's largest steelmaker, yesterday announced a downward revision of its profit estimates for the current year, citing sluggish exports to China and increased competition in the U.S. market.

The company said that its pre-tax profit for the first half to September of this year will be 20 per cent less than the previous six months at Y34bn ($142m). Sales are estimated at Y2,900bn.

The company said yesterday that slower China exports were due to limited port cargo handling facilities and poor overland transportation.

No bright spots were seen for the current year, it said. The full-year profits will also be around 20 per cent lower than last year, it added.

Nippon Kokkan, Japan's second largest steelmaker, yesterday said that it had yet to revise its profit forecasts downwards for the current year, but probably would do so in the next few months.

Wormald 19% ahead

BY MICHAEL THOMPSON-NOEL IN SYDNEY

WORMALD International, the Australia-based industrial and security services concern, reported a 19 per cent improvement in net profit in the year to June 30, to A$25.1m (US$17.6m).

Turnover was 16 per cent higher at A$964m, while earnings per share rose from 29.6 cents to 35.4 cents.

The final dividend is 10 cents a share (steady), for a total of 20 cents a share.

"Prospects are improving, with large international contract opportunities starting to reappear," said Wormald.

● Brambles Industries, the transport and materials handling group, achieved a 29 per cent improvement in full year net profit to A$42m (US$29.4m), and is raising its final dividend by 1 cent to 9 cents a share for a total of 18 cents (16 cents previously). Pre-tax profit was A$67.9m (A$50.9m previously).

One-for-four rights issue proposed by Bridge Oil

BY KENNETH MARSTON, MINING EDITOR

BRIDGE OIL, the Australian energy and resources company, is proposing a one-for-four rights issue at A$1.60 per share. The funds to be raised by the A$50m (U.S.$34.3m) issue will be used to maintain working capital, following the A$17.3m take-over of National Oil and will allow Bridge to take up its entitlement to the recent rights issue of Santos, in which Bridge owns a 15 per cent stake.

Bridge also announces a maiden dividend of 3 cents for the year to last June. Net profits for the year amount to A$14.7m against A$8.9m.

At the 39.6 per cent-owned Aredor diamond venture in Guinea, final commissioning of the plant has been completed and diamond production at the required level is expected to be reached within the 90 days' throughput test period.

INTERNATIONAL COMPANIES & FINANCE

SWISS ENGINEERING GROUP GRABS BIGGER SHARE OF A SHRINKING MARKET

Young team lifts Schindler sales

BY WILLIAM DULLFORCE IN LUCERNE

SCHINDLER, the Swiss lift manufacturer, has just acquired new top management, a new logo and a morale-boosting contract with General Motors Fanuc of the U.S. for its materials handling subsidiary.

However much they may vary in importance, the three events reflect the resolution the Swiss group is deploying in the fierce struggle among the world's lift manufacturers.

Schindler ranks second to Otis of the U.S. Other sizeable contestants are Kone of Finland and the Japanese concerns Mitsubishi and Fujitech.

World demand for lifts has shrunk by half since 1974, when the building industry started its downward slide after the first oil-price shock. In some areas, competition is so intense that companies accept prices below cost, in order to maintain market shares.

Given the state of the market, Schindler's recent record is impressive. It has improved its share of the world lift market to around 13 per cent, mainly by buying smaller competitors.

Over the last five years sales have climbed from SwFr 1.4bn to just under SwFr 2bn ($880m), of which some 88 per cent came from lifts and escalators last year. The order intake exceeded SwFr 2bn for the first time in 1984.

Net earnings more than doubled during the five years from SwFr 22m to SwFr 49m.

The Schindler group is still family-controlled, more than two thirds of the stock remaining in the hands of the Schindler, Bonnard and Sigg families. The holding company has for the past five years paid unchanged dividends.

Despite its restrained attitude towards shareholders, the prices of Schindler shares have risen on the

Mr Alfred Schindler

Zurich stock exchange, more than doubling its market capitalisation from SwFr 238m at the end of 1980 to SwFr 509m at the end of last year.

The story of the last 10 years is that of an embattled enterprise with a mature product on a declining market successfully defending and even extending its position.

But operating profit as a percentage of sales has been more than halved since 1974. And operating profit is an indicator to which Mr Alfred Schindler, 36, the new executive chairman, attaches considerable importance.

The U.S.-educated son of a former chairman, Mr Schindler is joined at the head of the group management by Mr Luc Bonnard, 38, and Mr Uli Sigg, 39, to form one of the youngest teams running an important Swiss engineering concern.

Initially, the thrust of their policy is likely to be an intensification of measures that have already been put into effect. Thus the growth in net earnings in recent years has been brought about through a combination of cost-cutting, product development and sorties into new geographical markets.

Last year 64 per cent of group turnover was still generated in Europe, including 17 per cent on the home market, Switzerland.

The lift markets for the group's main European subsidiaries – in Switzerland, West Germany, France, Italy and Spain – stagnated or declined, forcing price reductions. Increases in sales, on the other hand, were recorded in Britain, Sweden, Norway, Belgium, the Netherlands and Portugal.

The Americas provided 27 per cent of 1984 group turnover. In Central and South America, Schindler's results mirrored local economic difficulties, but in North America, the backyard of its main rival, Otis, the Swiss group stepped up the volume of orders "to an exceptional degree."

It won a prestigious contract for the Scala Plaza in Toronto, Canada's second tallest building, to which it will deliver 22 double-decker lifts, 10 conventional lifts, two goods lifts and 10 escalators. It also secured most orders during the year for new buildings in Los Angeles.

In North America, Mr Schindler says, "we have taken a very nice market share" – and not merely by buying domestic manufacturers. Here Schindler's product development appears to have scored.

Worldwide, 25 per cent of new orders booked last year by Schindler were for products that were three years old or less. The Swiss group believes it currently markets the world's best electronic control system for lifts, capable of smoothing out traffic flows through banks of elevators.

In June, in another field, Schindler scored a technological coup, when General Motors Fanuc, the leading robotics company in the U.S., announced that it was teaming up with Schindler's Digitron subsidiary.

Digitron is the biggest manufacturer of automated guided vehicle systems in Europe and has developed a healthy market with West German and Italian car manufacturers as well as in materials handling systems for hospitals.

At present, Schindler spends about SwFr 40m a year on research and development and that investment is set to rise under the new management. Researchers are already working on a new lift design for low-rise buildings.

The world outside Europe and the Americas generated only 9 per cent of group sales last year, according to the annual report. That understates the position because the report does not consolidate the Far East companies in which Schindler has minority shares.

In particular, it omits the operations in Peking and Shanghai, which started five years ago, when Schindler (together with Jardine Schindler Far East Holding) signed the first industrial joint-venture agreement between a Western enterprise and China and Mr Sigg became the first Western member of a board of directors in the People's Republic.

The joint venture, with Schindler putting in a quarter of the $18m share capital, is now producing 1,000 lifts a year and plans to double output. It has given Schindler a return of between 20 and 25 per cent on its investment.

Otis has since moved into the Chinese market, too, but Schindler feels it has a head start and has ambitions to export from China to the Pacific Basin, using the strong sales force it already has in Hong Kong.

In the same area, Schindler last year stepped up its assault on the Australian market by taking over Precision Elevators of Sydney.

Schindler has the financial resources to pursue its drive for market share. Its new management is determined to keep it in the technological forefront. But more efficient production will be needed to restore the operating profit to former heights.

The group has just endured a public row and costs of around SwFr 40m to close down its Schlieren plant near Zurich, but it still operates 27 production units. That is considerably more than its competitors run and some of them have started to use sub-contractors to trim costs further.

"We have to meet the competition's advantages in economies of scale," Mr Schindler said. "That means we must reduce duplication within our production apparatus."

Rightly or wrongly, Schindler is more concerned about its Japanese rivals than Otis in the U.S.

The Japanese appear to be following their familiar approach to foreign markets of concentrating on small product segments, in which to create bridgeheads for expansion. It is not easy for an all-purpose producer such as Schindler to counter the tactic, but the new management has assessed the problem.

There have been rumours that Schindler wants to diversify, probably in the U.S. Mr Schindler acknowledged that "a lot of preparation was done with U.S. investment banks" but the dollar went up and interest rates are high.

Schindler will in any case be allocating more resources to Digitron now that its potential has been confirmed by the agreement with GMF Robotics.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for September 5.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101⅜	101⅞	−0⅛	−0½	10.39
Amex Credit 12⅝ 88	150	105⅝	106⅛	−0⅛	−0⅞	10.39
Atlant Richfld 10¼ 00	250	94⅝	95⅛	−0⅜	−1	10.95
Australia Com 11¼ 89	100	103¼	103¾	+0⅜	−0¼	10.75
Australia Com 11 95	200	102⅞	103⅜	0	−0½	10.45
BP Capital 11⅛ 92	150	102¾	103¼	−0⅛	−0½	10.43
Canada 11½ 90	500	105¾	106¼	−0⅛	+0⅛	9.77
Canadian Pac 10¾ 95	100	100⅞	101⅜	−0⅛	+0⅛	10.51
Canadian Pac 12⅛ 98	75	107½	108	−0⅛	−0⅛	11.26
CBS Inc 11⅛ 92	100	† 102¾	103¼	−0⅛	−1¼	10.74
Chevron U.S.A. 12¼ 89	600	104	104½	−0⅛	−1	10.89
Citicorp 11½ 95	150	101⅛	101⅝	−0⅛	−0⅝	11.24
Coca Cola 11¾ 91	100	107⅜	107⅞	−0¼	−0⅛	10.01
Denmark Kingdom 11¼ 89	100	103	103½	0	+0¼	10.11
Denmark Kingdom 11½ 90	100	104⅜	104⅞	−0⅛	0	10.18
Denmark Kingdom 11½ 92	100	104	104½	−0¼	−0½	10.54
Denmark Kingdom 13¼ 91	100	111	111½	0	−0⅜	10.63
E.D.F. 10 95	225	95¾	96¼	−0⅛	−0½	10.66
E.E.C. 11⅛ 90	100	103⅛	103⅝	−0¼	−0⅜	10.10
E.I.B. 12 95	200	107½	108	0	−0⅜	10.65
Export Dev Corp 10 90	100	99⅞	100⅜	−0⅛	−0½	9.94
Export Dev Corp 12 89	100	106⅛	106⅝	0	−0¼	10.03
Fed Dep Stores 10⅜ 95	100	97⅜	97⅞	0	−0⅛	10.51
Ford Motor Cred 11⅜ 90	100	102⅜	102⅞	−0⅛	−0⅛	10.59
Ford Motor Cred 11⅝ 95	100	102¾	103¼	0	−0¾	11.07
Ford Motor Cred 11¾ 92	100	103⅜	103⅞	−0⅛	−0½	10.93
Ford Motor Cred 12 95	100	105¼	105¾	0	−0¼	11.01
Gen Elec Credit 10¼ 00	200	100⅜	100⅞	−0¼	−0⅝	10.15
GMAC 10¼ 89	200	100⅝	101⅛	−0⅛	−0⅜	9.93
IBM Credit 10⅜ 2000	300	101¾	102¼	0	−0½	10.09
Kellogg Company 10⅞ 90	100	102⅝	103⅛	+0⅛	−0¾	9.99
Kellogg Company 11¼ 92	100	103⅞	104⅜	−0⅛	−0⅝	10.31
L.T.C.B. 12⅞ 91	100	109¾	110¼	0	−0⅜	10.58
Macy Cred Corp 11¾ 95	100	104⅝	105⅛	0	−0½	10.87
Mellon Bank 13 87	100	105¼	105¾	−0⅜	−0⅜	9.82
Merrill Lynch 12¾ 89	100	105⅜	105⅞	−0⅜	−0¾	10.95
Minnesota 11½ 87	100	103½	104	−0½	−0¼	9.45
Mitsui Trust 11⅝ 90	100	103	103½	−0¼	0	10.70
Morgan Guaranty 12⅛ 89	150	106¼	106¾	−0⅛	−0¾	10.33
Penney J.C. 12¾ 91	100	† 107¼	107¾	−0⅛	−2⅛	10.98
Pru Realty secs 12⅛ 95	546	107⅝	108⅛	−0⅛	−0¾	10.73
Qantas Airways 10⅜ 95	140	99⅛	99⅝	−0⅛	−0⅜	10.47
Quebec Hydro 11½ 92	100	103⅞	104⅜	0	−0⅛	10.63
Queensland Govt 10¼ 95	100	97¼	97¾	−0¼	−0⅝	10.67
Ralston Purina 11¾ 95	150	104¾	105¼	0	−0⅝	10.87
Ralston Purina 12¾ 89	100	107½	108	−0¼	−0⅜	10.32
Saskatchewan 10¾ 92	100	101¾	102¼	−0⅛	−0½	10.26
Saskatchewan 11⅞ 89	100	105¼	105¾	−0⅛	−0⅝	10.17
Statoil 10 90	170	99¼	99¾	0	+0⅞	10.13
S Wales Trsy 11¾ 90	150	104⅞	105⅜	−0⅛	−0⅝	10.27
Swed Exp Cred 10 92	100	98	98½	+0¼	+0⅜	10.35
Swed Exp Cred 12¾ 89XW	100	107⅝	108⅛	−0⅛	−0⅜	10.26
Sweden Kingdom 10⅞ 90	200	102⅛	102⅝	−0¼	−0½	10.18
Sweden Kingdom 11½ 89	200	104¼	104¾	0	−0⅝	10.22
Sweden Kingdom 11¾ 94	100	106⅛	106⅝	+0¼	+0¼	10.62
Tenneco Corp 10⅞ 95	150	100⅛	100⅝	−0⅛	−0⅝	10.67
Texaco Capital 11⅛ 95	250	101¼	101¾	0	−0¾	10.85
Tokai Asia 11½ 95	100	102¾	103¼	0	−0⅜	10.96
Victorian Rep 11⅝ 92	150	104⅜	104⅞	−0⅛	−0½	10.69
World Bank 10⅛ 95	300	97⅞	98⅜	−0⅛	−0¼	10.43
World Bank 12⅞ 94	200	112	112½	0	−0⅛	10.69

Average price change On day −0⅛ on week −0½

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	106⅞	107⅝	−0⅛	−0⅜	6.89
Austria Republic 7¾ 94	200	105	106	0	−0¼	6.75
Baxter Travenol 7¼ 94	200	103⅛	103⅞	+0¼	0	6.69
Copenhagen 7⅞ 95	150	101⅞	102⅝	+0⅛	0	7.03
Credit National 8⅛ 94	200	107¾	108½	−0¼	−0⅜	6.82
E.I.B. 7¼ 94	300	103½	104	−0⅛	−0½	6.69
Escom 8 92	150	94⅞	95⅝	0	−0½	8.97
Ex-Im Bk Korea 7⅜ 90	100	99⅛	99⅝	−0⅛	−0⅛	7.77
Ferrovie Dello Stato 8 91	100	106½	107¼	−0⅛	−0⅛	6.48
Finland Republic 7 92	200	101⅝	102⅜	0	−0⅜	6.59
Gould Int Fin 7⅜ 91	100	105⅝	106⅜	−0¼	−1	6.33
Ireland 8⅛ 92	150	105⅞	106⅝	+0¼	0	6.92
Japan Fin Corp 7⅜ 91	100	105⅜	106⅛	0	+0¼	6.40
Mitsubishi Hvy 3½ 89WW	300	150½	151½	−1⅜	−2	−8.19
Mitsubishi Hvy 3½ 89XW	300	93⅛	94⅛	+0¼	+0⅜	5.51
Mitsubishi Met 3⅛ 89WW	100	105½	106¼	−0½	−2⅛	1.89
Mitsubishi Met 3⅛ 89XW	100	90⅝	91⅜	−0¼	−0⅜	5.53
Quebec Hydro 7⅛ 95	200	103⅞	104⅝	+0⅛	+0⅛	6.52
Renfe 7¾ 95	100	104⅛	104⅞	−0⅛	−0½	7.12
Renown 3⅛ 90	80	106⅝	107⅛	−0½	−0⅜	1.68
Soc Cent Nuclear 7¼ 95	150	101½	102¼	−0⅛	−0⅜	6.97
Societe Cent Nuclear 8 91	100	106⅞	107⅝	0	−0¾	6.48
Sth African Tran 7⅜ 92	100	92⅛	92⅞	+1	−0⅞	9.08
World Bank 7 95	600	† 102	102½	0	−0½	6.66
World Bank 7¾ 89	100	103⅝	104⅛	−0⅛	+0⅛	6.48

Average price change On day −0⅛ on week −0½

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 5¼ 94	100	† 102	102½	0	+0⅜	5.02
Avon Cap Corp 5⅜ 94	130	† 99½	100	0	+0⅜	5.41
Brit land Comp 6½ 99	75	† 104	104½	0	+0½	6.06
Council of Europe 6 92	120	† 103	103½	−1	−0⅝	5.44
Creditanstalt 5½ 94	100	† 99¼	99¾	+0¼	+0⅜	5.57
Deutsche Bk Fin 5⅜ 95	100	† 101¼	101¾	0	+0⅜	5.16
E.I.B. 5⅞ 94	120	† 102	102½	−0¼	+0⅛	5.55
Export Dev Corp 5¾ 92	125	† 101	101½	−0¼	−0⅜	5.38
Gaz Occidentale 4½ 94	80	† 104	104½	+0¾	+1½	3.94
I C Industries 5⅜ 94	125	† 102	102½	0	+0⅞	5.01
Ind Fund Fin 5¾ 94	40	† 102	102½	+0½	0	5.42
Int-Am Dev Bk 6⅛ 94	120	† 103½	104	+1½	+1⅜	5.60
N.Zealand steel 5¾ 98	70	† 99¼	99¾	0	+0⅛	5.81
Oberos Ktwk 5⅜ 95	100	† 99¼	99¾	0	+0⅝	5.44
Ralston Purina 5⅝ 94	125	† 101	101½	0	+0⅝	5.39
Santos Finance Ltd 6 94	130	† 99¾	100¼	−0¼	+0⅛	6.00
Tokyo Elec Pwr 5½ 93	120	† 100¼	100¾	0	+0⅝	5.41
Tokyo Metropolis 5¼ 94	80	† 99¼	99¾	0	+0⅜	5.32
World Bk 5⅝ 94	150	† 101	102	+0¼	+0⅛	5.53

Average price change On day 0 on week +0⅜

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Finland Republic 6⅝ 90	15	100⅝	101⅛	+0⅛	−0¼	6.51
Gdyr Tr & Rubber 7⅛ 95	25	100	100½	0	−0⅛	7.08
Mort Bk Denmark 7 92	10	100⅜	100⅞	0	−0⅛	6.87
New Brunswick 7⅛ 95	10	102	102½	0	−0¼	6.80
Swed Exp Cred Zero 90	14	72¼	72¾	−0⅛	−0⅛	6.58

Average price change On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Chrysler Fin 13⅜ 92 SA	55	101½	102½	+0¼	+0¼	13.16
Rural & Inds. 13¼ 88SA	50	95½	96½	−1⅝	−1⅞	15.01
SBSA Finance 13 88 SA	50	96⅛	97⅛	0	−0⅞	14.47
State Bk NSW 13¼ 90 SA	75	96⅞	97⅞	+0¼	−1	13.89
Amax 10¾ 90 CS	50	101⅞	102⅜	0	+0¾	10.15
Genstar Fin 11¾ 95 CS	75	99	99½	+0¼	+0¼	11.87
Hamil-Wentth 10¾ 95CS	25	† 96½	97	0	+0¼	11.30
Loblaw Cos 11⅜ 92 CS	50	† 100⅞	101⅜	+0⅞	+0⅛	11.35
New Brunswick 11⅝ 95CS	75	† 102¾	103¼	+0⅜	+0⅛	11.09
Shell Canada 11¼ 92 CS	75	101⅛	101⅝	+0⅞	−0½	10.94
Winnipeg Cty 10⅝ 90CS	50	99¼	99¾	0	+0¼	10.75
Christ Bk 16¾ 88 NS	50	93⅛	94⅝	+1⅝	+0⅛	19.12
DG Bank 16½ 90 NS	75	101⅜	102⅜	−0⅛	−1⅞	15.90
Westpac Bk 16⅛ 88 NS	50	96¼	97¼	−1¼	−1¾	17.60
Creditanstalt 8⅝ 94ECU	68	99⅛	99⅞	+0⅛	−0⅝	8.85
Motorola 8⅜ 92 ECU	50	98⅞	99⅝	+0¼	−0¼	8.11
Walt Disney 9⅛ 95 ECU	80	101½	102¼	0	−0⅞	8.81
Eurofima 7½ 92 FL	50	104½	105	0	−0¼	6.58
Philips Lamps 7½ 90 FL	100	104⅝	105⅛	+0⅛	−0⅜	6.25
Rank Xerox 8 90 FL	100	104½	105	−0⅛	−0¼	6.76
Van Lanschot 7½ 90FL	50	102½	103	0	−0¼	6.80
World Bank 7½ 90 FL	150	104½	105	0	−0¼	6.29
IBM France 11⅛ 90 FF	700	98⅞	99⅜	−0⅜	−0⅝	11.35
Australia Comm 11 92 £	40	100⅜	100⅞	0	+0¼	10.83
BP Capital 10¾ 92 £	50	99¼	99¾	−0⅞	−0¼	10.85
E.I.B. 11⅛ 93 £	50	100⅝	101⅛	0	+0⅛	10.92
GMAC UK Fin 10½ 90 £	30	98¾	99¼	−0⅞	0	10.75
Imp Chem Inds 11¼ 95 £	75	100¼	100¾	−0½	−0⅜	11.16
Imp chem Inds 10¾ 92 £	75	97⅞	98⅜	0	−0⅛	11.15
Mcdonalds 10⅞ 90 £	40	100¼	100¾	+0⅛	−0⅛	10.70
Mitsubishi Fin HK 11 90 £	50	99⅝	100⅛	+0⅛	−1⅜	11.00
Privatbanken 11⅞ 92 £	20	100½	101	+0⅛	+0⅜	11.67
Rank Xerox 11 92 £	40	99½	100	0	0	11.03
Royal Ind 10¾ 92 £	60	97⅛	97⅝	0	0	11.31
Star Drug Cap 10⅞ 90 £	30	99⅜	99⅞	0	−0¼	10.94
Tricentrol XW 11 92 £	35	95	95½	−0⅛	+0¼	12.04
Trthouse Forte 11⅛ 90£	50	99¼	99¾	0	−0¼	11.23
World Bank 11¼ 95 £	100	102½	103	0	−0⅛	10.76
E C S.C. 10½ 94LF	100	102⅝	103⅛	−0⅛	−0¼	10.01
Nat Lux Alum 10½ 92 LF	600	103¾	104¼	−0⅛	−0½	9.64

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Banco di Roma 5¼ 92	0	99¾	100	27/8	8.6	8.61
BankAmerica O/S 5¼ 96	0⅛	99⅞	100⅜	3/9	8⅛	8.11
Bankers Trust 5 2000	0	99¾	100	11/9	7.69	7.70
Bankers Trust 5¼ 96	0⅛	100¼	100½	19/11	8.31	8.28
B.F.C.E. 5¼ 99	0⅛	100¼	100½	13/8	10.06	10.02
B.N.P. 5¼ 95 (July)	0¼	100⅛	100⅜	22/1	8¼	8.22
C.C.F. 5¼ 97	0	99⅝	99⅞	22/9	10⅝	10.65
Chase Man'tn 5 2000	0	99⅝	100⅛	12/11	8⅛	8.14
Chase Man'tn 5¼ 2009	0⅛	100	100½	5/9	7.81	7.79
Citicorp O/S 5¼ 96 Sep	0⅛	99¾	100	19/12	11.19	11.20
Credit Lyonnais 5¼ 96	0⅛	100¾	101	11/10	8.69	8.69
Ireland 5¼ 97	0	100⅛	100⅜	26/10	9.89	9.86
Ireland 5¼ 99	0	100¼	100½	14/9	10	9.95
Italy, Republic 5 94	0⅛	100	100½	12/11	8⅞	8.85
Lloyds Bank 5¼ Perp	0¼	99⅞	100⅜	9/12	8	7.99
Midland Bank Perp 5	0¼	99½	100	20/12	8⅛	8.15
Nat West Perp 5	0⅜	101⅛	101⅜	12/11	8⅛	8.01
Nat West Perp A 5¼ S	0¼	99⅝	99⅞	9/1	8¼	8.27
Nat West Perp B 5¼ S	0¼	99¾	100	10/2	8.91	8.92
New Zealand 5 97 £	0	99¾	100	14/11	11.58	11.58
Queensland Coal 5¼ 96	0¼	100¼	100½	12/11	8	8.97
Roy Bk Canada 5 2005	0⅛	99⅝	100⅛	5/9	8⅛	8.14
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.78
Sweden Perp 5¼	0¼	100⅛	100⅜	9/1	8.31	8.29
Tokai 5¼ 99	0⅛	100⅜	100⅝	12/12	8⅛	8.08

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	119⅝	120⅝	−0⅝	6.27
Comcast 7 2000	12/85	23.875	104	104¾	+0¼	22.27
Fanuc 3¾ 98	1/84	7032.3	141¾	143¼	+0¼	34.13
Fujitsu 3 99	5/84	1320.9	79⅛	80⅛	+0⅛	28.97
Kumagai Gumi 3½ 2000	3/85	600	146¼	147	0	9.19
Marui 3½ 99	7/84	1162	122	123	0	3.29
Mitsubishi Elec 2⅞ 00	3/85	422	88½	89½	−0¼	4.01
Murata 3½ 99	2/84	2351.2	84⅞	85⅞	+0⅛	31.82
Murata 3½ 2000	7/84	2398	84½	85½	+0⅛	34.83
Nippon Elec 2⅞ 2000	1/85	1295	78⅝	79⅝	+0⅛	18.77
Nippon Oil Co 3 2000	5/85	923	94⅝	95⅞	−0¼	−0.20
Oki Elec Ind 3½ 99	10/84	805	84⅞	86⅛	−0¼	35.14
Orient Leasing 5¼ 98	6/83	2880	93¾	95¼	+0¼	−0.94
Sekisui House 3 99	6/84	612	139½	140½	+0⅜	2.71
Sumitomo Bank 2¾ 2000	8/85	2142	99½	100½	−0⅛	17.75
Sumitomo Corp 2⅝ 99	5/84	593	115⅝	116⅞	−0¼	8.38
Taiyo Yuden 3¼ 2000	3/85	1078	† 80	81½	+0¼	−1.89
Takeda Riken 3⅜ 2000	10/84	7663	† 76½	78½	−0½	40.49
Tokyo Sanyo Elec 3½ 99	12/84	772	96⅝	97⅝	+0½	10.67
Toshiba Ceramics 3 2000	4/85	1734.2	77¼	78½	−0½	21.12
Nippon Oil Co 2⅛ 92 SF	3/84	1052	† 104	105	+0½	26.71
Nippon Shinpan Co 2 92 SF	3/84	801	† 98	98½	−0¼	12.64
Asics 5 92 DM	12/83	520	197	198	−0⅛	21.41
Sun Realty 6¼ 92 DM	2/85	335	285	289	−5	−3.38

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date = Date next coupon becomes effective. Spread = Margin above six-month offered rate (‡ three month; § above mean rate) for U.S. dollars. C.cpn = current coupon. C.yld = current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv. date = First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The Directors of the Fund, whose names appear in "Management and Administration", are the persons responsible for the information contained in this Prospectus. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.
Application has been made to the Council of The Stock Exchange for the Shares of the Fund available to be allotted to be admitted to the Official List.
Copies of this Prospectus and of the documents specified herein have been delivered for registration to the Registrar of Companies in England.

Govett International Managed Fund Limited

A company registered with limited liability in Guernsey on 22nd August, 1985 under the provisions of the Companies (Guernsey) Laws, 1908 to 1975 and having an authorised share capital of £600,100.

Managed by

John Govett Management (Guernsey) Limited

Initial offer for subscription

of up to 60,000,000 Participating Redeemable Preference Shares of 1p each ("Shares") at 50p per Share payable in full on application.

Management and Administration

Directors

Mark Ralph Cornwall-Jones (Chairman),
Winchester House, 77 London Wall,
London EC2N 1DH.
Investment Manager,
Deputy Chairman of John Govett & Co., Limited.

Dwight William Makins,
Winchester House, 77 London Wall,
London EC2N 1DH.
Investment Manager
Director of John Govett & Co., Limited,
John Govett Unit Management Limited and
John Govett Management (Guernsey) Limited.

Mel Tristan Maubec,
Hirzel House, St. Peter Port,
Guernsey, Channel Islands.
Stockbroker,
Director of Trevor Matthews & Carey Limited.

Geoffrey Robert Rowland,
Manor Place, St. Peter Port,
Guernsey, Channel Islands.
Advocate of the Royal Court of Guernsey,
Senior Partner of Collas, Day & Rowland
and Director of The Bank of Bermuda
(Guernsey) Limited.

Frederick Mildon Thompson,
Normandy House, Grenville Street,
St. Helier, Jersey, Channel Islands.
Chartered Secretary,
Director of Samares Investments Limited.

Registered Office Bermuda House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

Manager, Secretary and Registrar John Govett Management (Guernsey) Limited,
Bermuda House, St. Julian's Avenue,
St. Peter Port, Guernsey, Channel Islands.
Telephone: Guernsey (0481) 26268
Telex: 4191186

Investment Adviser John Govett & Co. Limited, Winchester House, 77 London Wall, London EC2N 1DH.

Custodian and Bankers The Bank of Bermuda (Guernsey) Limited, P.O. Box 208, Bermuda House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

Auditors Robson Rhodes,
Chartered Accountants,
P.O. Box 124, Langtry House, La Motte Street,
St. Helier, Jersey, Channel Islands.

Stockbrokers Hoare Govett Limited,
Heron House, 319–325 High Holborn, London WC1V 7PB.

Legal Advisers *In Guernsey:*
Collas, Day & Rowland,
Manor Place, St. Peter Port, Guernsey, Channel Islands.
In England:
Linklaters & Paines,
Barrington House,
59–67 Gresham Street, London EC2V 7JA.

Principal Features

The following information is a summary of the principal features of the Fund and should be read in conjunction with the full text of this Prospectus.

Structure The Fund is an open-ended investment company registered and managed in Guernsey. Application has been made to the Council of The Stock Exchange, London, for the Fund's Shares to be admitted to the Official List.

The Fund can issue and redeem its Shares and therefore operates on similar principles to a mutual fund or unit trust. It is intended to publish prices daily in the Offshore & Overseas Shares section of the London *Financial Times* and they will also be available from the Manager. Shares will normally be available for issue and redemption daily.

Offshore Status The Fund is resident for tax purposes in Guernsey and should not, under normal circumstances, incur United Kingdom taxation on its income or capital gains.

There are no death duties or capital gains, gift, inheritance or capital transfer taxes levied in Guernsey.

Investment Objectives The aim of the Fund is capital growth. The Fund is designed to provide investors with a professionally managed international equity portfolio of units trusts, principally comprised of the U.K. authorised trusts managed by John Govett Unit Management Limited.

Dividend Policy It is intended to distribute substantially all the Fund's income after expenses. It is also intended to conduct the Fund's affairs so that it will not become resident in the United Kingdom.

Application will be made to the Board of Inland Revenue for "distributor status".

It is intended that dividends will be paid annually, without deduction of tax, to shareholders on 30th April in each year, beginning in 1986. Dividends will normally be re-invested automatically in further Shares.

Investment Advisers John Govett & Co. Limited has been appointed Investment Adviser. The John Govett group has over 60 years' experience as independent investment managers and advisers to investment trusts, unit trusts, pension funds and private clients with total assets under management or advice currently exceeding £1 billion in value.

Custodian and Bankers The Bank of Bermuda (Guernsey) Limited has been appointed by the Fund as Custodian of its investments and uninvested cash. The Bank of Bermuda group specialises in the administration of offshore mutual funds through its network of offices in Bermuda, Hong Kong and Guernsey.

Details of the Fund

Govett International Managed Fund Limited was registered in Guernsey on 22nd August, 1985 under the provisions of the Companies (Guernsey) Laws 1908 to 1973. It is an open-ended investment company, issuing and redeeming its Shares at prices based on the underlying value of the Fund's net assets.

The initial subscription lists will open at 10 a.m. in Guernsey on 30th August, 1985 and will close at 3.30 p.m. on 20th September, 1985. During the initial offer Shares will be offered at 50p per Share. The minimum amount which may be invested is £1,000. Acceptance of applications will be conditional upon not less than £700,000 being raised by this initial offer.

Application may be made either by telephone, telex or on the application form enclosed with this Prospectus. Details of the application and payment procedure are set out in "Application Procedure". After the initial offer, Shares will normally be available for issue and redemption on any business day in Guernsey ("Dealing Day") at the relevant prices then ruling.

The Manager may pay commission to stockbrokers, banks, solicitors, accountants, licensed dealers in securities and other recognised agents.

Investment Objectives

The Fund is designed to provide investors with a professionally managed international equity portfolio comprising principally U.K. authorised unit trusts, with a mix of geographical and sector emphasis. The underlying unit trusts will normally be chosen from those managed by John Govett Unit Management Limited, although power has been taken to allow investments in funds within other management groups and in other mutual funds or similar investment schemes.

The objective of the Fund is to invest for capital growth. Investment in the underlying funds will be weighted to provide a balanced international portfolio of equities and the Directors will use their discretion to switch investments from fund to fund as prospects change. In addition and when market conditions dictate, a high level of liquidity may be held. There is no management charge for switching within the Govett range of funds and it is not anticipated that the Fund and its shareholders will have any liability to capital gains tax in the U.K. from management of the portfolio. This freedom will stimulate continual reassessment of the portfolio to ensure that emphasis is directed towards those investment areas believed to offer the greatest potential growth.

The names and objectives of the authorised unit trusts presently managed by John Govett Unit Management Limited and in which the Fund will from time to time invest, are as follows:—

Govett International Growth Fund

The aim of the Fund is to produce capital growth principally through a broadly spread international equity portfolio.

Govett European Growth Fund

The aim of the Fund is to produce capital growth through investment in European markets including the U.K.

Govett American Growth Fund

The aim of the Fund is to produce capital growth through investment principally in the United States.

Govett Japan Growth Fund

The aim of the Fund is to produce capital growth through investment principally in Japan and in companies with substantial interests in Japan.

Govett Gold & Minerals Fund

The aim of the Fund is to produce capital growth principally through investment in companies involved in the exploration for and the financing, mining and production of gold and other precious and base metals and minerals.

Govett Pacific Income Fund

The aim of the Fund is to invest for an above-average yield principally in equities and convertible bonds of companies with growth potential in the Far East and Australasia.

Govett American Income Fund

The aim of the Fund is to provide an above average yield with capital growth through investment principally in equities and convertible bonds of North American companies.

Govett U.K. Special Opportunities Fund

The aim of the Fund is to achieve capital growth by investment principally in the U.K. in securities which are considered to offer special opportunity.

Further information on the Funds is as follows:—

Govett Fund	Launch Date	Launch Price	Offer Price 27th August, 1985	Fund Value 27th August, 1985	Yield 27th August, 1985	Latest Annual Distribution p per unit
International Growth Fund	17.1.62	10p (eq)	62.1p	£10.17m	1.55%	0.55p
European Growth Fund	19.9.80	74.1p	119.9p	£4.46m	0.95%	1.1p
American Growth Fund	7.5.83	50p	55.2p	£2.72m	0.53%	0.564p
Japan Growth Fund	2.7.85	50p	57.9p	£4.94m	nil	0.11p
Gold & Minerals Fund	29.10.85	50p	49.0p	£1.38m	1.73%	0.655p
Pacific Income Fund	19.5.84	50p	60.4p	£5.02m	4.69%	1.364p (15 months)
American Income Fund	7.7.84	50p	61.5p	£2.07m	5.21%	1.54p (6 months)
U.K. Special Opportunities Fund	23.11.84	50p	69.7p	£5.04m	2.60%	—

The distribution of this Prospectus and the offering of Shares may be restricted in certain jurisdictions; persons into whose possession this Prospectus comes are required by Govett International Managed Fund Limited (the "Fund") and John Govett Management (Guernsey) Limited (the "Manager") to inform themselves of, and to observe, any such restrictions. This Prospectus does not constitute an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised nor to any person to whom it is unlawful to make such offer or solicitation.

No person has been authorised to give any information or to make any representations, other than those contained in this Prospectus, in connection with the offering of Shares and, if given or made, such information or representations must not be relied on as having been authorised by the Fund or the Manager. Neither the delivery of this Prospectus nor the allotment or issue of Shares shall, under any circumstances, create any implication that there has been no change in the affairs of the Fund since the date hereof.

The consent of the Advisory and Finance Committee of the States of Guernsey under The Control of Borrowing (Bailiwick of Guernsey) Ordinances 1959 to 1976 has been obtained for the issue of up to 60,000,000 Unclassified Shares of 1p each either as Nominal Shares or as Shares in the Fund. It must be distinctly understood that in giving this consent the Committee takes no responsibility for the financial soundness of any schemes or for the correctness of any of the statements made or opinions expressed with regard to them.

Shares may be purchased by residents of Jersey but may not be acquired or held beneficially by any person resident for tax purposes in Guernsey, Alderney or Herm.

The Shares have not been registered under the United States Securities Act of 1933 and, except in a transaction which does not violate the United States securities laws, may not be directly or indirectly offered or sold in the United States of America ("USA") (including its territories, possessions and areas subject to its jurisdiction) or to or for the benefit of a United States person. For this purpose, United States person includes a national or resident of the USA, a partnership organised or existing in any state, territory or possession of the USA, a corporation organised under the laws of the USA or of any state, territory or possession thereof, or any estate or trust, other than an estate or trust the income of which from sources outside the USA (which is not effectively connected with the conduct of a trade or business within the USA) is not included in gross income for the purposes of computing United States federal income tax. The attention of United States persons is drawn to the paragraph headed "Restrictions on Holdings and Compulsory Redemption" in "General Information" and the compulsory redemption powers of the Company mentioned therein.

This Prospectus does not constitute an offer of Shares for subscription after 3.30 p.m. on 20th September, 1985.

Copies of this Prospectus, subsequent Prospectuses and application forms may be obtained from:—

John Govett Management (Guernsey) Limited,
P.O. Box 208, Bermuda House, St. Julian's Avenue, St. Peter Port,
Guernsey, Channel Islands.
Telephone: Guernsey (0481) 26268. Telex: 4191186.
or
John Govett & Co. Limited,
Winchester House, 77 London Wall, London EC2N 1DH.
Telephone: 01-588-5620. Telex: 884266.

Dividend Policy

The Directors intend to distribute to shareholders substantially all the Fund's income after expenses by way of an annual dividend to be paid in sterling on 30th April in each year, beginning 1986.

Since the aim of the Fund is to invest for capital growth, income from the Fund will be low and distributions may be of an irregular pattern.

Reinvestment of Dividends

As the clearly-defined aim of the Fund is capital growth and in order to meet the anticipated wishes of the majority of shareholders, arrangements have been made for dividends to be reinvested automatically in further Shares unless a shareholder elects otherwise.

Such Shares will be issued on the next Dealing Day after the date on which the relevant dividend is paid at a price calculated in the same manner as for other issues of shares on that date and discounted by 5 per cent., at the expense of the Manager.

United Kingdom taxpayers will be assessable to income tax or corporation tax (as the case may be) on the amount of the dividend reinvested by or for them in further Shares.

Applicants who do not wish to have their dividends automatically reinvested in further Shares should complete the appropriate section on the Application Form or notify the Manager in accordance with the procedures referred to in "Application Procedure" below.

Investment Restrictions

It is intended that the Fund should conform with any requirements for obtaining certification as a "distributor" fund for the purposes of the offshore and overseas funds legislation (see "Taxation").

Investment Management

The Directors of the Fund are responsible for the overall investment policy. Details of the Directors are given in "Management and Administration".

Manager, Registrar and Secretary

The Fund has appointed John Govett Management (Guernsey) Limited as Manager with responsibility for the selection of investments and the day to day management of the Fund, subject to the overall policy and supervision of the Directors of the Fund, to undertake the Fund's administration and to act as Registrar and Secretary. Particulars of the management agreement are set out in section 22 of "General Information". The Manager was registered in and under the laws of Guernsey on 15th August, 1985 and has an authorised capital of £10,000 paid up as to £1,000. The Manager will receive from the Fund a management fee payable monthly, details of which are given in "Charges and Expenses" below.

The Manager has delegated its functions and powers as Manager, Registrar and Secretary (subject to certain exceptions) to The Bank of Bermuda (Guernsey) Limited, ultimately a wholly-owned subsidiary of The Bank of Bermuda Limited under an agreement, particulars of which are set out in section 22 of "General Information". Details of the fees payable under this agreement are set out in "Charges and Expenses" below.

An associated company of The Bank of Bermuda (Guernsey) Limited provides administrative and accounting services to the Manager at the expense of the Manager.

Investment Adviser

John Govett & Co. Limited has been appointed Investment Adviser under an investment advisory agreement dated 28th August, 1985, particulars of which are set out in section 22 of "General Information". The fees receivable by the Investment Adviser are also detailed in "Charges and Expenses".

John Govett & Co. Limited is an independent, City of London-based investment management company which was incorporated in 1955 to provide a corporate structure for an investment management group which has now been in existence for over 60 years. It is involved solely in investment management and advice and its independence from any banks, stockbrokers or other outside parties avoids possible conflicts of interest. The John Govett group currently manages or advises four London listed investment trust companies, two offshore London listed closed-end investment companies, eleven UK authorised unit trusts, a number of pension and charity funds and private individual accounts. Funds under its management or advice currently exceed £1 billion in value.

Custodian and Bankers

The Bank of Bermuda (Guernsey) Limited has been appointed by the Fund as Custodian of its assets under a custodian agreement, particulars of which are set out in section 22 of "General Information". The fees receivable by the Custodian for the services it renders are detailed in "Charges and Expenses" given below, and are paid by the Fund.

The Bank of Bermuda (Guernsey) Limited is a limited liability company registered in Guernsey on 13th March, 1973. It has an issued and paid up share capital of £1 million and as at 30th June, 1985 its capital and reserves amounted to approximately £5.25 million.

The Fund has also appointed The Bank of Bermuda (Guernsey) Limited as its bankers on the latter's normal banking terms for customers (as regards bank charges, interest and other matters). As bankers to the Fund, The Bank of Bermuda (Guernsey) Limited will be responsible for implementing banking and financial transactions for the account of the Fund.

Taxation

Prospective investors should ascertain from their professional advisers the consequences to them of acquiring, holding, redeeming or disposing of Shares under the relevant laws of the jurisdictions to which they are subject, including the tax consequences and any exchange control requirements.

The Fund is resident for tax purposes in Guernsey and has been granted tax exempt status pursuant to The Income Tax (Exempted Companies and Trusts) (Guernsey) Ordinance, 1984 in consequence of which it is subject to an annual fee, at present of £1,300.

The Directors intend to conduct the affairs of the Fund so that it will not become resident in the United Kingdom and should not, under normal circumstances, incur United Kingdom taxation on its income or capital gains.

Since it is not intended that the Fund will be resident in the United Kingdom for tax purposes, the Fund will not be entitled to any United Kingdom tax credit in respect of dividends or distributions from United Kingdom companies or authorised trusts paid to the Fund. By contrast, a United Kingdom taxpayer who invests directly in shares in United Kingdom companies or units in United Kingdom authorised unit trusts is entitled to a tax credit in respect of any dividend or distribution paid on such shares or units. Such tax credit would satisfy an individual taxpayer's liability to basic rate income tax on the dividend or distribution.

A brief summary intended to offer some guidance to persons subject to United Kingdom taxation, which should not be regarded as definitive nor as replacing the desirability of taking separate professional advice, is given in Section 1 of "General Information". It does not apply to dealers in securities.

Issue and Redemption of Shares

Issue of Shares

Application for Shares may be made in the following manner:—

(a) On the attached application form, or in writing
(b) By telex
(c) By telephone.

The minimum initial investment is £1,000 and payment may be made *by cheque in any freely negotiable currency or by telegraphic transfer in* sterling.

During the initial offer Shares will be offered at 50p per Share. The subscription lists will open at 10 a.m. on 30th August, 1985 and will close at 3.30 p.m. on 20th September, 1985. It is anticipated that allotments of Shares will be made shortly thereafter.

Following the initial offer Shares may be issued daily on any Dealing Day in Guernsey at the price then ruling.

Details of the methods of application are set out in "Application Procedure" below.

Redemption of Shares

Shares may be redeemed on any Dealing Day at the price then ruling by giving notice *in writing, by telex or by telephone* (provided that the balance of any registered holding would not thereby be less than £1,000 in value). Details of redemption procedures are set out in section 9 of "General Information" below.

Further information on pricing and the valuation of the Fund's assets is contained in section 8 of "General Information".

Nominee facilities

In order to facilitate registration of Shares and redemption procedures, a nominee facility is offered by The Bank of Bermuda (Guernsey) Limited, through its wholly-owned subsidiary Banco Nominees (Guernsey) Limited. Applicants wishing to obtain details of the facility should write to the Manager care of The Bank of Bermuda (Guernsey) Limited, PO Box 208, Bermuda House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands or tick the box on the application form accordingly.

Publication of Prices

Prices applicable to subscription and redemption will be available each day from the Manager in Guernsey and will normally be published daily in the London Financial Times (in the Offshore and Overseas Fund Section) and in such other newspapers as the Directors may from time to time determine.

Temporary Suspension of Calculation of Prices

In certain circumstances, the calculation of the subscription price and redemption price and the issue and redemption of Shares may be suspended. Details of such circumstances are given in section 10 in "General Information".

Charges and Expenses

On issues of Shares after the initial offer, the Manager will be entitled to receive an initial charge equal to 7.5 per cent. of the subscription price for such Shares plus a rounding adjustment equal to the lesser of 1p or 1 per cent. of the aggregate of the subscription price and initial charge. The Manager may differentiate between applicants as to the amount of the initial charge and rounding adjustment. On issues of Shares pursuant to the initial offer the Manager will be entitled to receive the initial charge.

There will be no element of double charging of initial or annual management fees when the Fund invests in or switches between the unit trusts managed by John Govett Unit Management Limited.

The Manager will also be entitled to receive from the Fund for its services to the Fund a monthly fee payable in advance equivalent to 1 per cent. per annum of the value of the net assets of the Fund (as computed for calculating subscription prices). This annual charge will not however be levied on the value of any assets which are under the management or advice of companies within the John Govett group. The Manager's out of pocket expenses incurred in relation to its services to the Fund will be borne by the Fund. Out of its fee the Manager will pay the fees of the Investment Adviser, whose out of pocket expenses incurred in relation to its services will also be borne by the Fund.

The Fund will pay to The Bank of Bermuda (Guernsey) Limited for the provision of registration services a fee which will be based on the level of activity. The remaining fees payable to The Bank of Bermuda (Guernsey) Limited under the agreement referred to in "Investment Management" will be borne by the Manager.

The Custodian will be entitled to receive from the Fund a monthly fee payable in arrear equivalent to 0.1 per cent. per annum of the value of the net assets of the Fund (as computed for calculating subscription prices) up to £10 million and 0.075 per cent. per annum of the value of such net assets in excess of £10 million.

The fees payable to the Manager and the Custodian will be subject to review six months after the first allotment of Shares or at any time thereafter.

The Fund will be responsible for all its own expenses, including the preliminary expenses referred to in section 23 (l) of "General Information", legal and audit fees, the fees and expenses of its Directors, filing fees and bank charges. The fees of the Manager, the Custodian and the Investment Adviser incurred in connection with the preparation of their relative agreements (and any agreements amending the same) will be borne by the Fund.

Report and Accounts

The Fund's financial year will end on 28th February. Annual audited accounts and interim reports of the Fund will be sent to shareholders normally in April and October in each year respectively, commencing in April 1986.

Meetings

The Annual General Meeting of shareholders of the Fund will be held in Guernsey. Notice convening the Annual General Meeting will be forwarded to shareholders, together with the Annual Report and Accounts of the Fund.

General Information

(Expressions used below have the meanings ascribed to them in the Articles of Association of the Fund, except where the context otherwise requires).

1. Taxation

The following brief summary is intended to offer some guidance to persons (other than dealers in securities) subject to United Kingdom taxation, but should not be regarded as definitive nor as replacing the desirability of taking separate professional advice.

The Fund is an "offshore fund" and if it does not distribute at least 85 per cent. of its income and does not remain within the investment limitations laid down in the Finance Act 1984, United Kingdom tax payers will be subject to tax on gains arising on disposals at rates applicable to income. The Directors intend that the Fund should satisfy these requirements and in consequence qualify as a "distributor fund" for the purposes of the legislation.

The Finance Act 1984 contains further provisions which may subject certain United Kingdom resident companies to corporation tax on the profits of companies not so resident in which they have an interest. The provisions will affect United Kingdom resident companies which are deemed to be interested in at least 10 per cent. of the profits of a non-resident company which is controlled by United Kingdom residents and which does not implement full distribution policies. The provisions will not apply if the non-resident company implements a full distribution policy and, in view of the proposed level of distributions for the Fund, it is not anticipated that these provisions should affect United Kingdom resident companies materially.

United Kingdom resident and domiciled taxpayers (and United Kingdom resident taxpayers who although not domiciled in the United Kingdom, remit their dividends in the United Kingdom) will be required to include their dividends as part of their income subject to tax even though the amounts concerned are utilised to acquire further Shares.

The attention of individuals ordinarily resident in the United Kingdom is drawn to the provisions of Section 478 of the Income and Corporation Taxes Act 1970 (the "Act") and to Section 45 of the Finance Act 1981 which may render them liable to taxation in respect of any undistributed income and profits of the Fund.

Clearance has been obtained from the Board of Inland Revenue under Section 464 of the Act that the provisions of Section 460 of the Act (cancellation of tax advantages from certain transactions in securities) will not apply to the issue, redemption or transfer of Shares.

2. Corporate Structure

The Fund was registered with limited liability in Guernsey on 22nd August, 1985 under the provisions of the Companies (Guernsey) Laws, 1908 to 1973 ("the Laws"). The constitution of the Fund is defined in its Memorandum and Articles of Association. The Fund's Memorandum of Association provides that the Fund's principal objects are to carry on business as an investment holding company and to acquire, invest in and hold securities of all kinds or rights or interests to or in any such securities. The objects of the Fund are set out in Clause 3 of its Memorandum of Association which is available for inspection at the addresses mentioned below. The Articles of Association may be altered by means of a Special Resolution of the Fund passed in accordance with the Laws: namely by a resolution duly proposed and passed as a Special Resolution by not less than three-quarters of the votes recorded at a General Meeting of the Fund and duly confirmed by a simple majority of the votes recorded at a second General Meeting held not less than fifteen nor more than thirty days after the first General Meeting. To be valid, a copy of the Special Resolution under the seal of the Fund has to be sent to H.M. Greffier for registration.

The Fund has an authorised share capital of £600,100 divided into 100 Deferred Shares of £1 each, which have been subscribed for in full in cash at par by or on behalf of the Manager, and 60,000,000 further shares of 1p each (pending allotment called Unclassified Shares) available for allotment as Participating Redeemable Preference Shares or as Nominal Shares. The Articles of Association provide that the Fund may (i) by Ordinary Resolution, increase its share capital, consolidate and divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person at the date of the Ordinary Resolution and (ii), subject to the provisions of the Laws, by Special Resolution reduce its share capital.

3. Classes of Shares

The various classes of shares and the rights attaching thereto may be summarised as follows:—

Participating Redeemable Preference Shares

Holders of Shares are entitled to receive notice of General Meetings and to attend and vote thereat. On a poll, a holder is entitled to one vote for each Share held. The redemption rights attached to Shares are described in "Issue and Redemption of Shares" above and sections 8, 9 and 12 below. Fractions of Shares will be issued where any subscription moneys are not an exact multiple of the price payable on subscription. Any excess subscription moneys may be retained for the Fund's benefit at the Manager's option. Any holding of Shares must be a multiple of one-thousandth part of a Share. A fraction of a Share will rank pari passu and proportionately with a whole Share.

Deferred Shares

The Deferred Shares exist solely to comply with the Laws, which require that the Shares have a preference over another class of capital. The holders of the Deferred Shares are entitled to receive notice of General Meetings and to attend and vote thereat. On a poll, a holder of Deferred Shares is entitled to one vote for each such share held by him. Deferred Shares are not redeemable.

Unclassified Shares

These may be issued as Participating Redeemable Preference Shares or as Nominal Shares.

Nominal Shares

Nominal Shares can only be issued at par and for the purpose of providing funds for the redemption of Shares. Where fractions of Shares are redeemed, equivalent fractions of Nominal Shares will be issued (provided that any holding of Nominal Shares is a multiple of one-thousandth part of a Nominal Share). A fraction of a Nominal Share will rank pari passu and proportionately with a whole Nominal Share. Nominal Shares are redeemable at par. Nominal Shares may be converted into Shares at a price per share equal to the appropriate subscription price for the Shares concerned less an amount equivalent to the nominal value of such Shares. Holders of Nominal Shares are entitled to receive notice of General Meetings and to attend and vote thereat. On a poll, a holder of Nominal Shares is entitled to one vote in respect of all the Nominal Shares held by him, irrespective of the number of Nominal Shares held by him. All Nominal Shares will be issued to the Manager.

4. Dividends

No dividend is payable to the holders of the Deferred Shares or the Nominal Shares. Dividends may be payable on the Shares as described in "Dividend Policy" above. Any dividend payable in respect of a share unclaimed after a period of twelve years from the date of declaration of such dividend will be forfeited and will revert to the Fund. All unclaimed dividends may be used for the Fund's benefit. No dividend will bear interest against the Fund.

Dividends will only be paid to the extent that they are covered by income received from the Fund's underlying investments.

5. Equalisation Account

The Fund does not propose to maintain an Equalisation Account.

6. Variation of Class Rights

Subject to the provisions of the Laws, all or any of the special rights for the time being attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) from time to time (whether or not the Fund is being wound up) be altered or abrogated with the consent in writing of the holders of not less than three-fourths of the issued shares of that class or with the sanction of a resolution passed by a majority of three-fourths of the votes cast at a separate General Meeting of the holders of such shares. To any such separate General Meeting, all the provisions of the Articles of Association as to General Meetings of the Fund shall mutatis mutandis apply, and every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him and any holder of shares of the class present in person or by proxy may demand a poll.

The rights attached to the Shares shall be deemed to be varied by the creation or issue of any shares (other than Shares) ranking pari passu with or in priority to them as respects participation in the profits or assets of the Fund.

Subject to the preceding paragraph, the special rights attached to any class of shares having preferential rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by:—

(a) the creation, allotment or issue of further shares ranking pari passu therewith; or

(b) the creation, allotment or issue of Deferred Shares; or

(c) the creation of Unclassified Shares; or

(d) the allotment, issue or redemption of Shares; or

(e) the allotment, issue or redemption of Nominal Shares; or

(f) the conversion of Nominal Shares into Shares as provided for in the Articles of Association; or

(g) the exercise, if the Fund is wound up, by the liquidator of his powers, as provided for in the Articles of Association.

No material issue of Shares (other than issues of Shares pursuant to this Prospectus or to any subsequent Prospectus of the Fund or to shareholders pro rata to their existing holdings) will be made within one year from the date hereof without the prior approval of the Fund in General Meeting.

7. Rights on a Winding-up

If the Fund is wound up, the assets available for distribution among the Members will be applied in the following priority:—

(a) in repaying the nominal amount paid up on, firstly, the Shares, secondly, the Nominal Shares and, thirdly, the Deferred Shares;

(b) in the payment to the holders of Shares of any surplus assets of the Fund then remaining pari passu amongst such holders.

If the Fund is to be, or is being, wound up voluntarily and all or part of its business or property is proposed to be transferred or sold to another entity (wherever established), the liquidator may, with the authority of an Extraordinary Resolution, arrange for the distribution among all or any class of the Members (in proportion to their respective interests) of securities or other interests in such entity in compensation or part compensation for such transfer or sale. No Members shall be compelled to accept securities or other interests on which there is a liability to make further payment and any such arrangement made by the liquidator will be deemed not to be an alteration or abrogation of the special rights attached to any class of shares.

8. Share Prices and Terms following the Initial Offer

Shares may be allotted on any Dealing Day at a price per Share determined by the Manager and ruling on the relevant Dealing Day. The subscription price is calculated by assessing the value of the Net Assets of the Fund for this purpose as at the Valuation Point (normally 3 p.m. on the immediately preceding Business Day), by adding thereto an appropriate sum for Duties and Charges which would be incurred on the assumption that all the Fund's Investments are to be acquired, by deducting therefrom the paid-up capital on the Deferred Shares and the Nominal Shares, and by dividing the resultant amount by the number of Shares in issue or deemed to be in issue. An initial charge (payable to the Manager, as set out above in the section headed "Charges and Expenses") is then added thereto and the resultant amount is then rounded up by not more than the lesser of 1 per cent. or 1p.

Shares may be redeemed on any Dealing Day at a price per Share determined by the Manager, and ruling on the relevant Dealing Day. The redemption price is the aggregate of the nominal value of a Share and a sum calculated by ascertaining the value of the Net Assets as at the Valuation Point (normally 3 p.m. on the immediately preceding Business Day), by deducting therefrom the paid-up capital on the Deferred Shares and the Nominal Shares and such sum as the Manager may consider represents the appropriate amount for Duties and Charges in relation to the realisation of all the Fund's Investments on the assumption that such Investments are to be realised at that Valuation Point, and by dividing the resultant amount by the number of Shares in issue or deemed to be in issue. From this amount the nominal value of a Share is deducted and the resultant amount is rounded downwards by the lesser of 1 per cent. or 1p. Any such rounding adjustments on subscription and redemption accrue to the Manager.

The Directors shall have power (by altering the Valuation Point) to carry out a special valuation for the purpose of recalculating the subscription and redemption prices whenever they think it desirable in the interests of fairness among shareholders and this power shall remain available even though the Directors may previously have published prices based on the ordinary valuation in respect of the day in question.

If, in order to meet redemptions, it is necessary to realise Investments prematurely, any penalties or losses incurred may be reflected in the redemption price of the Shares concerned.

The Net Assets of the Fund are valued on a market value basis, normally using offered prices for calculating the subscription price and bid prices for calculating the redemption price. However, the Manager in its discretion reserves the right to value any Investment on a different basis should this be considered better to reflect the fair value of such Investment. In calculating the value of the assets and the amount of the liabilities of the Fund income is treated on a receivable basis and expenditure treated on an accruals basis. The full valuation provisions are contained in the Fund's Articles of Association which are available for public inspection and copies of which are available on request.

Article 34 of the Fund's Articles of Association provides inter alia, that:—

(a) If any Investment is realised or contracted to be realised at a known value the net proceeds of such realisation shall be taken into account in lieu of any other method of determining the value of the Investment concerned.

(b) If and whenever the quoted price of an Investment is a single price, such price shall be taken as being the lowest available market dealing offered price or the highest available market dealing bid price as the case may be.

(c) Any value (whether of an Investment or cash or of any liability) otherwise than in Sterling shall be converted into Sterling at the rate (whether official or otherwise) which the Directors shall deem appropriate in the circumstances having regard inter alia to any premium or discount which may be relevant and to any costs of exchange.

On any Dealing Day, the Manager may, in its capacity as Manager of the Fund and at its sole discretion, satisfy in whole or in part any application for the issue or redemption of Shares by selling such Shares to, or purchasing such Shares from, the applicant or shareholder.

Applications for Shares received after 3.30 p.m. on any Dealing Day will normally be dealt with on the next Dealing Day.

9. Redemption Procedures

Shares may be redeemed on any Dealing Day in any one of the following ways provided that the request to redeem has been received by the Manager in Guernsey by 3.30 p.m. on that Dealing Day—

(a) In writing. Simply return to the Manager in Guernsey the certificate(s) with the Redemption Request endorsed on the reverse duly completed. The Shares will be redeemed at the price ruling at the time of receipt of the certificate(s).

(b) By telex. The Shares will be redeemed at the price ruling at the time of receipt of the telex. Shareholders must quote the registered name and address, account number, the certificate number(s) and the number of Shares, or value of Shares, to be redeemed. The certificate(s) should be sent to the Manager in Guernsey immediately, with the Redemption Request endorsed thereon duly completed and with a note that the Shares have already been sold by telex.

(c) By telephone. The Shares will be redeemed at the price ruling at the time of receipt of the telephone call. Shareholders must quote the registered name and address, the account number, the certificate number(s) and the number of Shares, or value of Shares, to be redeemed. The certificate(s) should be sent to the Manager in Guernsey immediately, with the Redemption Request endorsed thereon duly completed and with a note that the Shares have already been sold by telephone.

Where a shareholder has taken advantage of the nominee facilities made available through the Manager, the formalities may be effected by the Manager on behalf of the shareholder upon written or, by prior arrangement, telephoned or telexed instructions from the shareholder.

In each case a contract note confirming the redemption and the price will be issued immediately. Redemption proceeds will only be released on receipt of the relative certificate(s) with the Redemption Request duly completed. The redemption proceeds will be sent in sterling at the shareholder's risk, within 7 working days of receiving the endorsed certificate(s) save where nominee facilities have been used, in which event the redemption proceeds will be sent within 7 days of the contract date. Any other method of payment may be made at the shareholder's request and cost. Share certificates despatched to the Manager in Guernsey for the purpose of redemption will be at the risk of the shareholders.

10. Temporary Suspension of Dealings

The Manager may declare a suspension of the valuation of the Net Assets during the whole or part of any period during which:—

(a) by reason of the closure, or suspension, of trading on any stock exchange or other market or for any other reason, circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable for the Fund to realise or dispose of Investments or fairly to determine the value of the Net Assets; or

(b) a breakdown occurs in any of the means normally employed by the Manager in ascertaining the value of Investments or when, for any other reason, the value of the Investments cannot reasonably be ascertained.

No Shares will be allotted or redeemed during any period when the valuation of the Net Assets is suspended. If on any Dealing Day on which the redemption of Shares is due to take place, the determination of the value of the Net Assets is suspended, the right of the shareholder to have such Shares redeemed will be similarly suspended and during the period of suspension he may withdraw his request for redemption by notifying the Fund or the Manager in writing before the end of the suspension. Unless withdrawn, requests for redemption will be effected on the first Dealing Day following the end of the suspension. Requests for redemption are otherwise irrevocable.

11. Transfers of Shares

The Shares will be in registered form. The transfer of any Shares must be effected in writing in any usual or common form, be signed by the transferor and (in the case of partly paid Shares) by the transferee, need not be under seal, but must state the full name and address (and, where required by the Directors, the nationality) of the transferor and transferee. The Fund's Articles of Association provide that the Directors may at their absolute discretion and without assigning any reason therefor decline to register any transfer of Shares (not being fully paid Shares) and may also decline to register, inter alia, any transfer of Shares on which the Fund has a lien, or, if the instrument of transfer (together with the relative certificate(s) and such other evidence as the Directors may reasonably require) is not left at the Fund's registered office (or at such other place as the Directors may reasonably require). The Directors may request the transferee to furnish a declaration in the form or substantially in the form set out in the Articles of Association to the effect that the Shares to be acquired will not be owned beneficially by a resident of Guernsey, Alderney or Herm (together with, if the Directors so request, evidence satisfactory to them that the transferee is a Qualified Holder, as defined in the Articles of Association) or in such other form as the Directors may request.

12. Restrictions on Holdings and Compulsory Redemption

The Fund reserves the right to require the redemption or transfer of Shares acquired or held by any person in breach of any law or requirement of any country or governmental authority or by virtue of which such person is not qualified to hold such Shares or by any person in circumstances (whether alone or together with other persons) which, in the opinion of the Manager, might result in the Fund suffering taxation or other pecuniary disadvantage which it would not otherwise have suffered.

The Directors may on any Dealing Day compulsorily redeem any holding of Shares which is below any applicable minimum holding set pursuant to the Articles of Association (but such powers may not be exercised where any holding has fallen below the minimum holding then applicable thereto solely as a result of a decision to increase the relevant minimum holding).

13. Life of the Fund

All Shares not previously redeemed will be redeemed on the first Dealing Day in 2086 at the price ruling on such Dealing Day.

14. Minimum Valuation

If at any time the value of the Net Assets (calculated as though for the purpose of computing subscription prices) on any Dealing Day is less than £2,000,000, the Fund may by four weeks' notice to all holders of Shares given within eight weeks thereafter, redeem on the Dealing Day nominated in the notice, all (but not some) of the Shares not previously redeemed at the price ruling on such Dealing Day.

15. Report of the Auditors of the Fund

P.O. Box 124
Langtry House,
La Motte Street,
St. Helier, Jersey,
Channel Islands.

The Directors
Govett International Managed Fund Limited

30th August, 1985

Dear Sirs,

Govett International Managed Fund Limited was registered under the laws of Guernsey on 22nd August, 1985. As at the date of this report, it has not traded and no accounts have been prepared and no dividends paid.

Yours faithfully,
Robson Rhodes
Chartered Accountants

16. Borrowings

As at the date of this Prospectus, the Fund does not have any loan capital outstanding or created but unissued, term loans (whether guaranteed, unguaranteed, secured or unsecured), borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments, mortgages, charges or guarantees or other material contingent liabilities.

Under the Articles of Association of the Fund, the Directors may exercise the Fund's power to borrow and to charge its assets, but they are required to restrict the borrowing of the Fund and to exercise all voting and other rights or powers of control exercisable by the Fund in relation to its subsidiary companies (if any) so as to secure (as regards subsidiary companies so far as by such exercise they can secure) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Group (which expression means and includes the Fund and its subsidiaries for the time being) inclusive of any fixed or minimum premium payable on final repayment but exclusive of intra-Group borrowing shall not, except with the consent of the Fund in General Meeting, exceed an amount equal to the amount of the Share Capital and Consolidated Reserves (as defined in the Articles of Association).

Under normal circumstances, these powers will not be exercised and in any event it is not presently intended to make use of them except on a short term basis such as to avoid the need to realise Investments prematurely to meet redemptions.

17. Directors

There are no existing or proposed service agreements between the Fund and any of its Directors. A Director is not required to hold any shares by way of qualification. There are no provisions requiring Directors to retire at any specified age.

18. Directors' Remuneration

The aggregate amount of Directors' fees is currently £3,000 per annum. The Articles of Association of the Fund contain provisions to the following effect:—

The Directors will be entitled to such remuneration as they may from time to time determine being not more than £1,000 per annum for each Director or such higher amount as may be approved by Ordinary Resolution of the Fund. Such remuneration will be deemed to accrue from day to day. The Directors and any alternate Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Fund or in connection with the business of the Fund. The Directors may in addition to such remuneration grant special remuneration to any Director who, being called upon, shall perform any special or extra services to or at the request of the Fund.

19. Transaction with the Directors

The Articles of Association of the Fund contain provisions to the following effect:—

(i) (a) A Director may hold any other office or place of profit under the Fund or any subsidiary thereof (other than the office of Auditor) or under any other company in which the Fund is in any way interested in conjunction with his office of Director on such terms as the Directors may determine.

(b) No Director or intending Director shall be disqualified by his office from contracting with the Fund or from being in any way interested in any contract, arrangement or transaction in which the Fund is in any way interested, nor shall any such contract or any contract, arrangement or transaction entered into by or on behalf of the Fund in which any Director or intending Director is in any way interested be liable to be avoided nor shall any Director or intending Director so contracting or being so interested be liable to account to the Fund for any profit realised by any such contract, arrangement or transaction by reason of such Director or intending Director holding that office or of the fiduciary relationship thereby established, but the nature of his interest must be declared by him at the meeting of the Directors at which the question of entering into the contract, arrangement or transaction is first taken into consideration, or if the Director was not at the date of that meeting interested in the proposed contract, arrangement or transaction, then at the next meeting of the Directors held after he becomes so interested, and in a case where the Director becomes interested in a contract, arrangement or transaction after it is made, then at the first meeting of the Directors held after he becomes so interested.

A general notice in writing given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm, shall (if such Director shall give the same at a meeting of the Directors or shall take reasonable steps to secure the same is brought up and read at the next meeting of the Directors after it is given) be deemed a sufficient declaration of interest in relation to any contract so made.

Except as provided in the Articles of Association, a Director may not vote in respect of any contract or arrangement or other proposal in which he has a material interest (other than by virtue of his interest in securities of, or otherwise in or through, the Fund) nor may he be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. The shareholders have power by Ordinary Resolution to suspend or relax such restrictions or to ratify any transaction not duly authorised by reason of a contravention thereof.

Any Director may act by himself or through his firm in a professional capacity for the Fund or any other company in which the Fund is in anyway interested, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, but such a Director or his firm may not act as Auditor to the Fund or any subsidiary thereof.

(ii) Any Director may continue to be or become a director, managing director, manager or other officer or member of any company promoted by the Fund or in which the Fund may be interested or associated in business or otherwise, and no such Director shall be accountable for any remuneration or other benefits received by him as a director, managing director, manager or other officer or member of any such other company. The Directors may exercise the voting power conferred by the shares in any other company held or owned by the Fund or exercisable by them as directors of such other company, in such manner in all respects as they think fit (including the exercise thereof in favour of a resolution appointing themselves or any of them, directors, managing directors, managers or other officers of such company, or voting or providing for the payment of remuneration to the directors, managing directors, managers or other officers of such company).

20. Appointment of Manager and Custodian

The Articles of Association of the Fund contain provisions to the following effect:—

(i) The Directors may appoint any person, firm or corporation to act as manager of the Fund's administrative and secretarial affairs and investments (the "Manager") and may delegate to such Manager any of their powers and duties, other than the power to make calls or forfeit shares, with such powers of delegation and such restrictions as they think fit and either collaterally with or to the exclusion of their own powers.

(ii) The terms of any agreement entered into by the Fund appointing any Manager (other than the original agreement entered into prior to the initial issue of Shares appointing the first Manager), and any variations made after the initial issue of Shares to any such agreement then in force (including such original agreement), shall be subject to approval by a resolution of a separate General Meeting of the holders of Shares passed by a simple majority of the votes given provided that no such approval shall be required if the terms of any new agreement do not differ materially from those in force with the former Manager on the termination of its appointment or, in the case of a variation to an existing agreement, the Directors consider that any such variation either (a) is necessary or expedient having regard to the provisions of any fiscal legislation or (b) does not materially prejudice the interests of the holders for the time being of Shares or any of them and does not operate to release the Manager to a material extent from any responsibility to the Fund.

(iii) The Directors may appoint a Custodian to be responsible for the safe custody of any of the Investments of the Fund and to perform such other duties upon such terms as the Directors may determine. The remuneration (if any) of any such Custodian may be payable by the Fund. The terms of appointment of any such Custodian may authorise such Custodian to appoint (with powers of sub-delegation) sub-custodians, nominees, agents or delegates at the expense of the Fund or otherwise.

21. Indemnities and Disclosure of Information

The Articles of Association contain provisions indemnifying the Directors, Secretary and other officers and servants of the Fund against any actions, costs, charges, losses, damages and expenses incurred or sustained by reason of any contract entered into or act or omission in or about the execution of their duty or supposed duty unless due to their own wilful act, neglect or default, and provided that the amount for which such indemnity is provided shall immediately attach as a lien on the property of the Fund and have priority as between the Members over all other claims. The Articles of Association also contain provisions excepting the foregoing from liability in certain circumstances unless due to their own wilful act or default. In addition, they provide that the Manager and any Custodian shall be entitled to such indemnity from the Fund upon such terms and subject to such conditions and exceptions and with such entitlement to have recourse to the assets of the Fund with a view to meeting and discharging the cost thereof as shall be provided under the Management Agreement or any Custodian Agreement (as applicable). The Fund, the Directors, the Manager, the Secretary and any Custodian may, if lawfully required so to do, disclose information in their possession regarding the Fund or its affairs or any Member.

22. Material Contracts

The following contracts have been entered into since the registration of the Fund and prior to the date of this Prospectus and are, or may be material—

(1) Management Agreement dated 28th August, 1985 between (1) the Fund and (2) the Manager whereby the Fund appointed the Manager, subject, inter alia, to the overall policy and supervision of the Directors, with powers of delegation, to act as Manager of the Fund and to manage the Investments of the Fund, to carry on its general administration, to act as or supply the services of a Secretary and Registrar and to promote or procure the promotion of the distribution of Shares for a monthly fee payable in advance, together with reimbursement of its out of pocket expenses in relation to its services to the Fund. Details of the fees presently payable under this Agreement are given in "Charges and Expenses" above; the fee of 1 per cent. per annum may be increased to 1.5 per cent. per annum. These fees are subject to review six months after the first allotment of Shares takes place or at any time thereafter. The Agreement contains provisions permitting the Manager, in its capacity as Manager of the Fund, to make a market in the Shares without being liable to account therefor and indemnifying and exempting the Manager from liability not due to its wilful breach of duty or negligence in certain circumstances. For the purposes of carrying out its obligations under the Agreement, certain of the functions, duties, powers and discretions of the Directors are exercisable by the Manager. The Manager has delegated its powers, duties, discretions and functions under the Management Agreement (subject to certain exceptions) to The Bank of Bermuda (Guernsey) Limited under the Agreement referred to in paragraph (4) below. If the Management Agreement is terminated, all these functions, duties, powers and discretions would revert to the Directors. The Agreement will run for an initial period of two years from the first allotment of Shares and thereafter will be terminable, inter alia, on not less than six months' notice given by either party to the other to expire on or at any time after the expiry of the initial two year period.

(2) Custodian Agreement dated 28th August, 1985 between (1) the Fund, (2) The Bank of Bermuda (Guernsey) Limited (the "Custodian") and (3) the Manager whereby the Custodian was appointed as the Custodian of the Fund and its Investments. Details of the fees payable under this Agreement are given in "Charges and Expenses" above. These fees are subject to review six months after the first allotment of Shares takes place or at any time thereafter. The Agreement contains provisions indemnifying and exempting the Custodian from liability not due to its wilful breach of duty or negligence in certain circumstances. The Agreement will run for an initial period of two years from the first allotment of Shares and thereafter will be terminable, inter alia, on not less than six months' notice given by the Custodian to the Fund, or vice versa, to expire on or at any time after the expiry of the initial two year period.

(3) Investment Advisory Agreement dated 28th August, 1985 between (1) the Fund, (2) the Manager and (3) John Govett & Co. Limited (the "Investment Adviser") whereby the Investment Adviser has been appointed to advise the Manager as to the investment and reinvestment of the Fund's assets, including continuing advice with regard to the investments of, and investment policy for, the Fund. The Investment Adviser will receive a monthly fee payable in advance from the Manager equivalent to 0.2 per cent. per annum of the value of the Net Assets of the Fund (as computed for calculating subscription prices). The fees are subject to review six months after the first allotment of Shares or at any time thereafter. The Agreement contains provisions indemnifying and exempting the Investment Adviser from liability not due to its wilful breach of duty or negligence in certain circumstances. The Agreement will run for an initial period of two years from the first allotment of Shares and thereafter will be terminable, inter alia, on not less than six months' notice given by the Investment Adviser to the Manager, or vice versa, so as to expire on or at any time after the expiry of the end of the initial two year period.

(4) Delegation Agreement dated 28th August, 1985 between (1) the Manager, (2) The Bank of Bermuda (Guernsey) Limited (the "Delegate") and (3) the Fund whereby the Manager has delegated to the Delegate all the powers, duties, discretions and functions exercisable by the Manager under the Management Agreement referred to above, subject to the exclusion of certain matters. The fees under the Delegation Agreement are referred to in "Charges and Expenses" above. These fees are subject to review six months after the first allotment of shares or at any time thereafter. The Agreement contains provisions whereby the Manager will indemnify the Delegate against liability not due to its wilful breach of duty or negligence in certain circumstances. The Agreement will run for an initial period of two years from the first allotment of Shares and thereafter will be terminable, inter alia, on not less than six months' notice given by the Manager to the Delegate, or vice versa, so as to expire on or at any time after the expiry of the initial two year period.

23. Miscellaneous

(a) The Fund is not engaged in any litigation or arbitration proceedings of material importance and the Directors are not aware of any litigation or arbitration proceedings of material importance pending or threatened against the Fund.

(b) The Fund has not established a place of business in Great Britain. The Fund has no subsidiaries.

(c) No shares or loan capital of the Fund have been or are agreed or are proposed to be issued as fully or partly paid up otherwise than in cash.

(d) Save as disclosed in "Details of the Fund" above, no commissions, discounts, brokerages or other special terms have been granted or are payable by the Fund in connection with the issue or sale of any capital of the Fund.

(e) No shares or loan capital of the Fund are under option or agreed conditionally or unconditionally to be put under option.

(f) There is no property purchased or acquired by the Fund or proposed to be purchased or acquired, which is to be paid for wholly or partly out of the proceeds of this issue or the purchase or acquisition of which has not been completed at the date of issue of this Prospectus.

(g) Save as disclosed herein, no amount or benefit has been paid or given (or is intended to be paid or given) to any promoter.

(h) Save as disclosed in sub-paragraph (q) below and in section 22 above, no Director of the Fund has any interest, direct or indirect, in the promotion of the Fund or in any assets which have been acquired or disposed of by or leased to the Fund or are proposed to be acquired, disposed of by or leased to the Fund or in any transaction which is subsisting at the date of this Prospectus and which is unusual in its nature or conditions or significant in relation to the business of the Fund.

(i) None of the Directors of the Fund has an interest in the share capital of the Fund which would be required to be shown in the Register maintained under the provisions of the Companies Act 1985 of Great Britain if the Fund was subject to the provisions of that Act.

(j) Save as disclosed in Section 2 above, the Directors are not aware of any person interested (directly or indirectly) in 5 per cent. or more of any class of the Fund's share capital.

(k) The provisions of Sections 82, 86 and 87 of the Companies Act 1985 of Great Britain (other than the penal provisions), so far as applicable having regard to Section 75 of that Act, shall apply to the allotment of Shares in pursuance of this Prospectus.

(l) The preliminary expenses of the Fund and the expenses of the initial issue (including the application to The Stock Exchange for listing) are estimated to amount to £115,000. They are payable by the Fund and will be amortised over 5 years.

(m) The minimum amount which, in the opinion of the Directors, must be raised in order to provide for the matters referred to in paragraph 2 of the Third Schedule to the Companies Act 1985 of Great Britain, is £700,000 (the whole of which must be raised by the initial issue) made up as follows:—

(i) purchase price of property, nil;
(ii) preliminary expenses, £115,000;
(iii) repayment of moneys borrowed for the foregoing, nil;
(iv) working capital, £585,000.

If such a sum is raised, the Directors are of the opinion that the Fund will have sufficient working capital for its present requirements.

If the amount raised by the initial offer is less than £700,000, no Shares will be issued and all application moneys will be returned by 4th October, 1985.

(n) Robson Rhodes have given and have not withdrawn their written consent to the issue of this Prospectus with their report included in the form and context in which it is included.

(o) The documents delivered for registration with copies of this Prospectus to the Registrar of Companies in England were copies of the material contracts referred to above and the consents of Robson Rhodes.

(p) It is expected that the Shares will be admitted to listing on 24th September, 1985 and that dealings will commence on that date.

(q) Advocate G. R. Rowland is a partner in Collas, Day & Rowland which will receive a fee (estimated at £5,500) in respect of its professional services in relation to the promotion and launch of the Fund.

(r) The Directors intend to follow the investment policy referred to in "Investment Objectives" above for at least three years following the grant of listing by The Stock Exchange. The Fund will not undertake legal or management control of any of its underlying investments. The realisation of any investment of the Fund which, at the Directors' valuation amounts to 50 per cent. or more of the value of the Fund's Net Assets, will be conditional on shareholders' approval.

24. Documents Available for Inspection

Copies of the following documents may be inspected during the usual business hours on any weekday (Saturdays and public holidays excepted) at the registered office of the Fund and at the offices of Linklaters & Paines, Barrington House, 59–67 Gresham Street, London EC2V 7JA up to and including 20th September, 1985 —

(1) The Memorandum and Articles of Association of the Fund.
(2) The material contracts described above;
(3) The report and consent of Robson Rhodes referred to above; and
(4) The Companies (Guernsey) Laws, 1908 to 1973

Application Procedure

In order to be allotted Shares in the initial offer, an application together with cleared funds must be received by the Manager in Guernsey not later than 3.30 p.m. on 20th September, 1985. Thereafter applications for Shares may be made on any business day in Guernsey.

Written Application

Direct written application may be made to the Fund c/o the Manager, John Govett Management (Guernsey) Limited, at P.O. Box 208, Bermuda House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands on the application form enclosed with this Prospectus.

Applications not made on an application form should:

(a) state the amount to be invested in Govett International Managed Fund Limited (minimum £1,000).

(b) state how payment has been or is being made of the amount due.

(c) confirm that the Shares are not being acquired directly or indirectly by a United States person (as defined above) nor in violation of any applicable law and that such Shares will not be owned beneficially by a resident of Guernsey, Alderney or Herm.

(d) confirm that the applicant has received and retained a copy of the Prospectus and that the application is based on the terms thereof and subject to the provisions of the Memorandum and Articles of Association of the Fund.

(e) state the name and address in which the Shares are to be registered and indicate if dividends arising should NOT be reinvested in further Shares in the Fund at the price determined as described in the Prospectus.

(f) state the agent's name and address, if applicable.

(g) state if the contract note and certificate are to be mailed to someone other than the registered holder.

Applications must be accompanied by payment in accordance with the instructions given under "Payment Methods" below.

Telex Application

Telex application may be made to the Fund c/o the Manager, telex number 4191186 BKBDA G, containing the information set out in (a) to (g) inclusive under "Written Application" above, supported by payment described below in "Payment Methods".

Telephone Application

Telephone application may be made to the Fund c/o the Manager, telephone number 0481 26268, when the price quoted will be contingent on the receipt of a remittance in settlement of the transaction upon receipt of the contract note and the return of the Registration Form on the reverse of the contract note duly completed. Payment upon receipt of the contract note should be made in accordance with "Payment Methods" below.

Payment Methods

If payment is to be made by cheque or banker's draft, the cheque or draft for the relevant amount should be made payable to "John Govett Management (Guernsey) Limited a/c Govett International Managed Fund Limited" and sent to the Manager, John Govett Management (Guernsey) Limited, P.O. Box 208, Bermuda House, St. Julian's Avenue, St. Peter Port, Guernsey, Channel Islands.

If payment is to be made by telegraphic transfer the investor should instruct his bank to effect payment of the relevant amount to Midland Bank plc, 13 High Street, St. Peter Port, Guernsey, Channel Islands for the account of The Bank of Bermuda (Guernsey) Limited account number 31015842 re Govett International Managed Fund Limited, and quote the name of the applicant.

If payment is not made in sterling, any necessary currency transaction will be effected by The Bank of Bermuda (Guernsey) Limited on its normal banking terms on behalf of and for the account of the applicant without responsibility as respects the Fund.

General

(a) Contract Notes

After the initial offer closes, contract notes will be sent to the address of the first named applicant showing details of the transaction. Where application has been made by telephone, the investor will be sent a contract note and should immediately return one copy of it with a cheque or draft in settlement.

(b) Certificates

Certificates will be despatched at the applicant's risk normally within one month of the date on the contract note subject to the receipt of cleared funds and the information referred to in "Written Application" above. If such funds and information have not been received within one month of the application, the allotment may be cancelled and the application monies returned without interest to the applicant at his risk (and until returned, such monies may be used by the Fund for its own benefit). Unless otherwise requested the share certificate(s) will be despatched to the address given on the application form or to that of the first named applicant.

The right is reserved to reject any application and to accept any application in part only. If any application is not accepted in whole or in part the application monies or the balance thereof will be posted to the applicant at the risk of the person entitled thereto. The Manager reserves the right to present all cheques and drafts for payment on receipt.

Dated 30th August, 1985.

Application Form

AGENT'S STAMP

IMPORTANT: This form must be completed and returned with payment to the Manager so as to arrive not later than 3.30 p.m. on 20th September, 1985.

To: Govett International Managed Fund Limited
c/o John Govett Management (Guernsey) Limited,
P.O. Box 208, Bermuda House, St. Julian's Avenue,
St. Peter Port, Guernsey, Channel Islands

I/We hereby apply for the issue to me/us of Shares to the value of £.............................. (minimum £1,000) in Govett International Managed Fund Limited (the "Fund") at the initial offer price of 50p per Share.

I/We enclose herewith a remittance for £.............................. (or its equivalent in any other freely transferable currency) made payable to John Govett Management (Guernsey) Limited A/C Govett International Managed Fund Limited.

I/We hereby authorise and request The Bank of Bermuda (Guernsey) Limited to effect any currency transactions which may be necessary to invest the application monies in the Shares applied for. I/We understand that the cost of the currency conversion will be deducted from my/our application monies.

I/We acknowledge that I/we have received and considered a Prospectus relating to the Fund and this application is made on the terms thereof and subject to the provisions of the Memorandum and Articles of Association of the Fund.

I/We agree to accept the same or any smaller number of Shares in respect of which this application may be accepted, and I/we authorise you to place my/our names on the Register of Members of the Fund in respect of the Shares allotted to me/us.

I/We authorise you to send at my/our risk to me/us a certificate for the number of Shares in respect of which this application is accepted to the address specified according to the delivery instructions set out in this form, and a cheque for any monies returnable by post to the address first written below.

I/We hereby declare that the Shares are not being acquired directly or indirectly by a U.S. person (see Note below) nor in violation of any applicable law and that they will not be owned beneficially by a resident of Guernsey, Alderney or Herm.

In the event of any of the particulars given in this form ceasing to be true, I/we undertake forthwith to notify John Govett Management (Guernsey) Limited.

Delivery Instructions Please tick the appropriate box

(a) Please forward details of nominee facilities ☐
(b) Please forward the certificate(s) to the first named holder ☐
(c) Please forward the certificate(s) to the agent named ☐
(d) Please forward the certificate(s) to the Bank and branch following: ☐

Bank Name and Address ____________________

Dividend Instructions

If you do NOT wish dividends to be re-invested automatically in further Shares, please tick the box ☐

If you wish dividends to be paid to a Bank, please complete the following information:

Bank Account Number ____________________

Bank Name and Address ____________________

Application Details (please use block capitals)

1 Forename(s) in full ____________ Mr./Mrs./Miss Title
Surname ____________
Address ____________

2 Forename(s) in full ____________ Mr./Mrs./Miss Title
Surname ____________
Address ____________

3 Forename(s) in full ____________ Mr./Mrs./Miss Title
Surname ____________
Address ____________

4 Forename(s) in full ____________ Mr./Mrs./Miss Title
Surname ____________
Address ____________

Signature(s) of All Applicants

Note: A Corporation should execute under its common seal or sign by a duly authorised officer who should state his representative capacity.

1 ____________ 2 ____________
3 ____________ 4 ____________
Date ____________

Note:
"A U.S. person" includes a national or resident of the United States of America, a partnership organised or existing in any state, territory or possession of the United States of America, a corporation organised under the laws of the United States of America or of any state, territory, or possession thereof, or any estate or trust, other than an estate or trust the income of which from sources outside the United States of America (which is not effectively connected with the conduct of a trade or business within the United States of America) is not included in gross income for the purposes of computing United States federal income tax. For the purposes of this definition "United States of America" includes the United States of America, its territories, possessions and areas subject to its jurisdiction. If you are unable to make this declaration, you may still be able in certain circumstances to subscribe for Shares, but you should contact the Manager for details first.

UK COMPANY NEWS

North American loss hits Cadbury

BY FRANK KANE

Cadbury Schweppes' North American operations fell into the red in the first half of 1985, and this, along with currency fluctuations, produced disappointing interim figures.

In the six months to June 15, pre-tax profits came to £33.8m, against a comparable £39.7m. The market, which had been expecting an unchanged figures, marked the shares down 10p to 134p.

As analysts had forecast, currency fluctuations hit the confectionery and soft drinks manufacturer and supplier. Had the figures been translated at last year's rate, rather than that to the period end, profits would have been £6.4m higher than reported.

Mr Dominic Cadbury yesterday identified North America as the main problem area, where volumes were lower because of the need to reduce stock at the distribution level. The drive towards the all-important Christmas sales period had taken longer to work through, and Easter sales were disappointing.

The U.S., the main part of the North American division, had experienced a major downturn in both confectionery and soft drinks. Margins were lower with cost increases not being followed

Cadbury has been trying to increase its market share in the U.S. in recent months, redirecting its market effort and changing management. One analyst said last night that the progress, and the resulting depressed trading, would continue into the second half. Some forecasts for the full year have been scaled down to about £115m.

In Australia, which last year contributed about 20 per cent of trading profits, the effect of exchange variations were most noticeable. The division maintained its growth record with trading profits, in local currency, 25 per cent ahead. On conversion, this became an increase of only 2 per cent from £11m to £11.2m. Australian sales came to £108.2m, against £102.5m.

In the UK, still the largest contributor to the group's activities, trading profits fell from £24.6m to £23.7m, on sales ahead at £421.1m (£399.1m). The directors say that Cadbury continued to improve its market share in a confectionary market which was down on volume on the previous year.

Sir Adrian Cadbury, chairman of Cadbury Schweppes

Schweppes increased its trading profit over 1984 and strengthened its position in the market place. The beverages and foods divisions achieved higher sales, but earned lower margins on tea and coffee, so that trading profit was down. The food and hygiene division raised trading profits.

In Europe, which was not affected by exchange rate differences, there was a 29 per cent rise in trading profits from £4.5m to £5.8m on sales of £111.2m (£109.8m).

Group activities elsewhere in the world traded successfully under difficult circumstances, said the directors, achieving satisfactory profits increase. Trading profits rose from £4.2m to £5.5m on sales of £49.2m (£56.7m).

Total sales came to £847.2m for the half-year against £825.8m, producing aggregate trading profits of £44.4m, down from £51.1m. The sales figure would have been some £34.2m higher if mid-1984 rates had been applied. Interest charges were unchanged at £14.5m, while tax fell from £16m to £13.4m.

The interim dividend is held at 1.6p net, covered by earnings at 3.39p (4.68p). This will account for £8.3m (£7.1m) to leave retained profits at £8.8m, down from £13.8m.

See Lex

L & G £1m unit trust promotion

Legal and General Group, Britain's second largest life assurance group is spending £1m promoting its direct unit trust operations, with the aim of becoming a major force in the UK unit trust market.

The group is launching five new specialist trusts to go along side its existing four as part of this drive. This move, claims Mr Ted Tilly, life and pensions director, enables Legal and General to offer a range of trusts covering all major investment areas.

Legal and General's involvement in units trusts to date has been comparatively small — funds of around £230m out of a total of £10bn, and concentrated on its linked life business.

Recent tax changes have made direct unit trust investment far more tax efficient than linked life bonds investing in the same units, particularly for basic rate taxpayers. Life companies are now devoting more attention to their unit trust company as intermediaries switch their selling from bonds to units.

L and G in its promotion is aiming at name and product awareness rather than seeking "money off the page."

The group is looking for £50m of unit sales over the next 12 months.

Portals lifts profit and interim

DESPITE A lack of orders in the water treatment companies Portals Holdings has lifted its pre-tax profit by 26 per cent, from £7.22m to £9.1m, in the first half of 1985.

The directors feel this increase is satisfactory, and they expect the trend to continue for the year as a whole. In 1984 the group made £17.55m pre-tax. The current interim dividend is raised by 1p to 7.5p net.

In general the papermaking and engineering companies have had plenty of work to keep them busy.

After two years of good performance the water treatment division suffered in the first half from delays in the placing of some major orders which it still hopes to receive, but one or two orders have been lost as competition in a depressed market is severe.

Turnover showed a reduction to £76.1m (£78m) and trading profit fell to £4m (£4.87m). There is a below-the-line extraordinary loss of £368,000 in the accounts, which represents the cost of selling the ceramic water filter division of Portacel.

The papermaking division increased its turnover from £19.64m to £39.21m and its profit from £2.18m to £4.61m. The security paper mills have enjoyed strong demand, mostly from overseas, and have been working at full capacity.

The engineering side produced a turnover of £6.62m (£5.53m) and a profit of £401,000 (£203,000). This is a big step forward, the directors state, although the margin on sales at 6 per cent is still low. Demand on the whole has been strong but some production bottlenecks remain to be overcome.

● comment

The mix of Portals' profits might not be quite what everyone had anticipated with a surge forward by papermaking and a drop of almost a fifth from water treatment. But the overall effect proved to be broadly in line and the shares rose 15p to 580p with a little help from a higher dividend. The more than doubling of profits from paper is not so impressive when compared to the second half of last year but without a doubt demand was exceptionally buoyant helping to keep the ill-fated U.S. plant alive for a few months longer. Though with its $20m investment now in mothballs, any reasonable offer would be considered. The water treatment division might fare a little better in the second half but the year's picture will probably emerge fairly much as it does today, with paper continuing to make the running. It would be disappointing if Portals made less than £20m pre-tax which, on a 41 per cent tax charge, points to a p/e of around 9 and if the dividend is pushed to, say, 21½p the yield rises to 5.3 per cent. The rating is certainly not expensive but neither is it glaringly cheap so the brokers are bound to label it as one of their "holds."

Brown & Tawse purchase

Brown & Tawse, the industrial distributor and engineer, has bought P. J. Holloway (Sales), an East London based air conditioning distributor, for £2.25m.

The purchase, which is the latest in a string of acquisitions by the Dundee registered company, will be satisfied by £1.65m in cash and £600,000 in loan notes redeemable 1986 and 1990.

At March 31 1985, Holloway had net tangible assets of £53,000. For the 1984-85 year turnover came to £4.63m producing net profits of £413,000. Mr S. Douglas Rae, the Brown chairman, said yesterday that the purchase was not a diversification, but a broadening of the company's base.

Brown has made a number of acquisitions in the past 18 months, and these helped it to pre-tax profits of £61.72m last year, a rise of 65 per cent over the comparable period.

Fergabrook shares hit on profit setback

Current year profits from toy, leisure and toiletry goods distributor Fergabrook Group are expected to show a significant shortfall on the £2.53m of 1984. In the first half the pre-tax return has slumped from £1.04m to £657,000 on sales marginally higher at £7.61m, against £7.52m.

The news of the profit slide, plus problems with an acquisition, sent the shares of this USM company down 17p to 40p. It was announced that Mr Richard King, the chairman, had, after the figures were published, purchased 489,000 of the company's shares at 50p in a private deal. increases his, and his family holdings, to 33.8 per cent.

A number of factors have hit trading in the period, says Mr King, and he points out that last year benefited from abnormal early sales of toys licensed from the A Team programme. Dependence on those sales have been reduced.

However, he is looking to TriTrade and Clifford B. McGuire, the recent acquisitions, to provide a broader base, and expects a recovery in 1986 particularly after the actions being taken in the various companies. Toiletries are seen as a major expansion area.

The interim dividend is being maintained at 1.2p net per share.

No profit contribution is expected from TriTrade for 1985 as margins reported in the management accounts prior to acquisition have been overstated and trading, particularly in the seasonal garden products, has been adversely affected by the poor summer.

The policy of rationalisation is well under way and management changes have been made. The directors have decided to look for a managing director for TriTrade from outside the group.

Purchase price for TriTrade was expected to be some £5.4m.

● comment

Fergabrook's interims were as unexpected as they were gruesome. Profits were about half of what the City had been anticipating and the announcement, which contained no hint of a pick-up in the second half, sent the shares crashing down from 57p to 40p, knocking some £4m off the company's market value. So far Fergabrook has failed to find a replacement for the A-Team toys, and appears now to be almost wishing that earlier success had never happened. To make matters worse, the acquisition of Tritrade now looks less of a good idea than it did in May when it was hoped that Fergabrook would employ its distributive know-how to turn the company around. Improvement is taking longer than expected, and now that margins are slimmer than Fergabrook had initially thought, it appears that too much may have been paid for the company. News of Mr King's purchase of shares may not have the desired effect of demonstrating his own confidence, and with the company likely to make £1.3m for the year (compared with earlier forecasts of £4m) the shares are on a p/e of about 9¼ (35 per cent tax) which indicates an appropriate degree of caution about the future.

Cookson Group on target with 68% rise midway

IN LINE with expectations, Cookson Group reported interim pre-tax profits up by 68 per cent from £20.2m to £34m. The shares, however, were marked down on the announcement by 5p to 328p and fell further during the day to close at 316p.

The result, in the six months to June 30, 1985, was achieved on turnover ahead by 18 per cent to £422.2m (£359.2m). That was made up of £271.4m from group companies and £150.8m the share of related companies.

The interim payment, on capital increased by last year's rights issue, is 2.4p, compared with 2.125p, restated for the one-for-one scrip issue at the end of last year. Earnings came out at 17.5p per 50p share, compared with a restated 13.3p.

The directors say that although the group, which is involved with manufacturing and processing metals and chemicals, achieved a sifinificant profit increase the comparison was adversely affected by the exchange rates at the end of the respective periods. The results of overseas group and related companies were translated into sterling at the rates ruling at the end of their respective period.

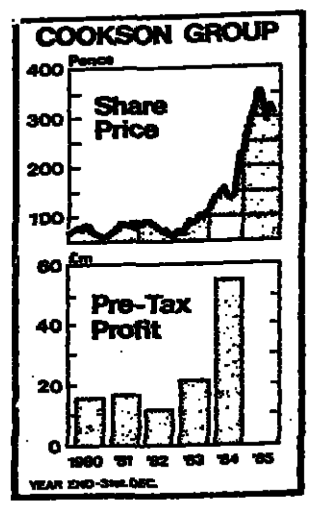
In the UK there was a profit improvement in parts of the Fry division and of the ceramics and antimony division but the directors say that areas remain where returns continue to be inadequate. In Europe the general level of subsidiaries' profits was maintained although there were increases when expressed in the local currencies.

Cookson America, which constitutes more than a third of the group's operations, showed profits substantially ahead of last year. However they are not being maintained at the levels achieved in the later months of the year, particularly when expressed in sterling terms.

Tioxide, in which Cookson holds a 50 per cent interest, has reported taxable earnings more than doubled, with demand for its products being well maintained.

Other related companies, which are mainly overseas, produced improved results, although again these were reduced by currency movements.

Operating profit came out at £43.4m (£29m) with a £20.3m (£14.7m) contribution from group companies and £23.1m (£14.3m) from related companies. The taxable figure was struck after interest payments of £9.4m (£8.8m).



The tax charge was £12.6m (£8.7m) and minorities took £200,000 against £400,000 last time when there were also extraordinary debits of £300,000. With additional depreciation on the current values of fixed assets of £2.9m against £2.7m, the net surplus came out at £18.3m (£10.1m).

The directors say that in the second half the UK continues to suffer high interest rates and the U.S. economy is adversely affected by the downturn in areas of the electronics industry. Exchange rate fluctuations remain significant with such a large share of profit being earned overseas and the relative strength of sterling hitting exports.

They add, however, that though it is more difficult to report increased sterling profits the group continues to make progress. Recent acquisitions are integrating satisfactorily and further opportunities for expansion are under consideration.

● comment

Cookson's U.S. operations face a serious hurdle following the collapse in demand from the electronics sector, while at home the lead related operations are sluggish. That was clear from yesterday's interim statement but it is not particularly fresh news and so it is surprising that the shares reacted so violently with a 23p fall to 310p. There was possibly some room for disappointment over the tax charge, which was higher than expected because of the poor performance in the UK—that is where the offsettable losses are sitting—and the group's own statement about second half prospects seems particularly downbeat in the circumstances. But as foreign exchange rates can wreck havoc with the forecasts, perhaps management was simply pouring a little cold water on the market's more optimistic expectations. The strength of the pound has already cost half time profits £5m. Though assuming sterling stays where it is today the group is on target for £70m pre-tax. That may leave eps marginally lower though a prospective p/e of 8.6 is surely an attractive rating over anything other than a very short term view.

Tioxide profit doubled

Tioxide Group, jointly-owned by Cookson Group and ICI Finance, reported more-than-doubled pre-tax profits for the first half of 1985.

On turnover up by 38 per cent from £152.2m to £209.38m taxable earnings were £34.19m (£16.93m).

The directors say that the results represent the best start to the year the company has experienced. Demand remained firm with prices maintaining an upward trend, particularly in export markets. However, price gains were offset to a significant degree by increased costs of manufacturing.

They add that p—rofitability is affected by the value of sterling but marketing conditions remain firm at the start of the second half.

Trading profit came out at £38.47m against £20.4m last time and the pre-tax figure was struck after interest charges of £4.28m (£3.47m). The tax charge was £13.01m (£5.34m), of which £12.82m (£5.34m) was overseas. Minorities took £540,000 (£220,000), leaving the earnings per £1 share at 66.5p, compared with 36.6p.

Collins lifted by better margins

A FURTHER improvement in operating margins enabled Glasgow-based publisher William Collins to lift its profits before tax by some 13 per cent in the first six months of 1985.

Furthermore, with the autumn publishing programme described as extremely strong in all divisions prospects for the second half of the year remain good.

Turnover for the opening half improved from £53.4m to £55.3m with the UK divisions showing a strong increase. International companies' sales decreased through the adverse effect of exchange rates and the planned elimination of low margin sales.

At the pre-tax level profits pushed ahead from £4.17m to £4.73m, and with earnings emerging 3.8p higher at 17.8p the interim dividend is being lifted from 4p to 4.75p net on both the ordinary and non-voting equity.

A scrip issue on a one-for-one basis is also proposed for both classes of shares.

The pre-tax result included a £346,000 (£587,000) share of associates' profits and was after net interest charges of £992,000 (£760,000).

Tax accounted for £1.67m (£1.76m) and left net profits at £3.06m, compared with a previous £3.42m, from which dividend payments will absorb £819,000 (£690,000).

The group is principally engaged in publishing books, diaries and stationery and in book manufacturing, distribution, wholesaling and retailing. In the 12 months ended December 1984 turnover rose by 17.6 per cent to £123.6m (£105.13m) and pre-tax profits by 37.4 per cent to £11.75m (£8.55m). The final dividend was raised to 9p (7.5p).

● comment

Underlying growth at Collins is rather better than would appear from these results. Currency movements wiped about £2m off turnover, which in Australia was further depressed by the decision to stop publishing books on an agency basis. Meanwhile, in the UK expansion has been fastest on the retail side where Hatchards increased its sales by about 30 per cent. Further growth from Hatchards, together with a strong clutch of titles lined up for the second half, should ensure a total for the year of about £13.8m. After an impressive recovery since 1980 Collins now looks set for a period of steadier growth, although there may be some one-off benefits still to come through from the Granada acquisition and from rationalisation being carried out by the new management in Australia. Yesterday the ordinary shares added 5p to 850p while the non-voting shares rose 1p to 616p where they seem fully valued on p/e ratios of 17½ and 12½ respectively.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Cadbury Schweppes	int.	1.6	Oct 28	1.6	—	5.9
Cantors		1.5	Nov 7	1.5	2	2
Cement-Roadstone	int.	1.15¶	Oct 9	1	—	2.7
William Collins	int.	4.75	Oct 16	4	—	13
Cookson Group	int.	2.4†	Nov 29	2.13*	—	6.25*
Family Trust	int.	2.88	Nov 1	2.5	—	6.9
Fergabrook Group	int.	1.2†‡	Nov 7	1.2	—	3.2
Frost (J. J. & D.)	int.	2	—	1.5	—	3.5
R. & H. Hall	int.	1‖	—	1	—	3.75
Instem‡	int.	0.75	Nov 29	—	—	0.5
Linread	int.	1	Oct 22	1	—	1.5
Palmerston		3	—	2.5	4	3.5
Pentos	int.	0.18	Oct 12	—	—	0.35
Portals	int.	7.5	Dec 31	6.5	—	18.5
Schroders	int.	6	Oct 31	6	—	18.5
Sheldon Jones‡		3.3	Oct 17	3	4.65	4.35
Wadkin	int.	1	Oct 31	2	—	3
Wayne Kerr	int.	0.5‡	Nov 21	—	—	—

Dividends shown in pence per share except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡USM stock. § Unquoted stock. ¶ Interim corrected. ‖ Irish currency.

UK COMPANIES

Martin Dickson on Elders interest in Allied Lyons

A most un-British approach . . .

"QUITE EXTRAORDINARY," was the verdict of one City analyst. "Very, very cheeky and most un-British," chuckled another.

The City establishment's breath was quite taken away by yesterday's annoucement from Elders IXL, the Australian pastoral, trading and brewing group, that it had built up a 6 per cent stake in Allied-Lyons and was trying to put together a consortium bid for the company.

The surprise was over both Elders' target and its tactics. For Allied is one of Britain's leading food and drink conglomerates, with products ranging from Double Diamond, Skol and Long Life beers to Lyons teas and ice creams, and a market capitalisation of £1.92bn.

Elders, which has seen remarkable expansion over the past four years, may be Australia's largest quoted group in turnover terms, but it has a market capitalisation of only some A$900m (£452m) which ranks it 15th in its home country.

The nature of yesterday's announcement also caused raised eyebrows in the City, where it was seen as both a curiously half-cocked bid proposal and a highly unusual public invitation to potential consortium members.

But for all that, analysts are not dismissing Elders' chances out of hand, and the reason lies in the respective performances of the two groups.

Elders is one of Australia's oldest companies and part of its agrarian heritage. Founded in the mid 19th century, it grew to become one of the country's biggest pastoral groups, trading in wool, cattle and other produce and providing a wide range of services to the farming community.

But over the past four years, the group has been transformed from this base into an aggressively expanding conglomerate, a process which dates from the arrival in 1981 of a new managing director, Mr John Elliott.

Mr Elliott, now 43, is an entrepreneur in the swashbuckling mould of compatriots Rupert Murdoch and Robert Holmes à Court, though he also has a strong political dimension—as federal Treasurer of the Australian Liberal Party, he is tipped by some as a potential Prime Minister.

After six years with McKinsey, the management consultants, he went into business in 1972 and formed a consortium to buy a company called Henry Jones (IXL), whose turnover expanded from A$40m to A$400m over the next eight years.

In 1981, when Elders faced a takeover threat from Mr Holmes à Court's Bell group, Mr Elliott and his company were brought in as a "white knight" and the resulting merger produced the basis of the current group.

Since then, Elders has expanded rapidly both by interal growth and takeovers, the most audacious of which was its successful A$988m bid for Carlton and United Breweries, Australia's biggest brewery, at the end of 1983. At the time this was the country's biggest takeover (it has since been topped by Bond Corporation's A$1.2bn bid for rival brewer Castlemain Tooheys) and was particularly daring since at the time Carlton held 49 per cent of Elders' equity.

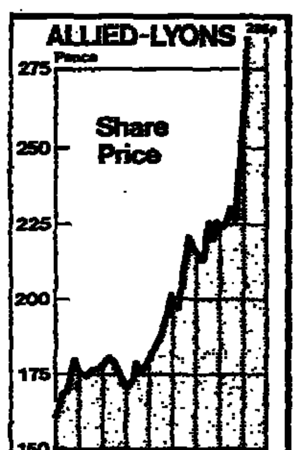
Mr John Elliott, managing director of Elders IXL

—Elders' turnover has grown from A$2.2bn in 1980 to A$5.6bn in the year to June 1984, with net profits rising from $23.4m to $72.2m (and analysts predicting a further leap to $100m-$105m in the 12 months to last June).

It now has four main core businesses: brewing, where it holds some 50 per cent of the Australian beer market; pastoral, with group companies handling half the Australian wool clip and trading half of its livestock; international trading, which is closely associated with the pastoral activities, since it is concerned chiefly with processing and trading agricultural products; and financial services, which includes a merchant banking arm and an extensive presence in Asian financial markets.

Critics, however, point out that this whirlwind expansion has made year-to-year comparisons of performance difficult and also stress the highly geared nature of the company—a fact pounced on yesterday by Allied-Lyons.

The purchase of Carlton seriously strained Elders' balance sheet, with the debt/equity ratio rising to around 2.5 : 1. But a large number of disposals, coupled with a restructuring of the debt and the recent floating off of its minerals interests, have improved the position.



Mr Elliott says that as of June debt stood at A$600m, compared with A$700m of equity (leaving out of the picture $168m of convertible Eurobonds).

But for all Elders recent record, its growth prospects in Australia do not look particularly good the beer and pastoral markets which it dominates are both highly mature and the country's relatively small population is another curb on endless expansion. Thus Mr Elliott, like by Holmes à Court and Mr Murdoch before him, has been turning his sights overseas.

The British beer market may seem to him a natural target, given the remarkable popularity now being achieved in the UK by Australian lagers and the jumping off point this would give him for an assault on the continent.

And of Britain's four big brewers, Allied is perhaps the most vulnerable, with Whitbread protected to some extent by its shareholding structure, Grand Metropolitan by size and Bass by its performance.

Over the past decade Allied has seen its share of the beer market shrink: in the late 1970s it had nearly 15 per cent, compared to an estimated 13 per cent now.

A key problem has been its lager portfolio, which includes Skol, though its launch last year of the Australian Castlemaine XXXX brand appears to have been a considerable success. In an attempt to improve the beer division's performance, the group made a major management shake-up at the start of this year.

These changes, coupled with a major decentralisation programme last year and a large number of redundancies, appear to be producing results—though analysts are still waiting to see them fully reflected in the figures.

Beer accounts for some 40 per cent of Allied's trading profits, with some 30 per cent coming from wines, spirits and soft drinks (Britvic fruit juices, Harvey's sherries, Teacher's whisky) and 29 per cent from food (such as Lyons teas, coffee, cakes and ice-creams).

The wines and spirits side has been suffering from strong own-label competition and sales improved only 1.9 per cent in the year to March.

By contrast, the food division has seen very strong growth recently, with pre-tax profits increasing by 18 per cent last year, despite sharply rising raw materials prices.

This performance is a belated vindication of the Allied management—under its late chairman, Sir Keith Showering—which in 1978 led the group into an agreed bid for J. Lyons which proved highly unpopular with City institutions.

Allied—since 1981 chaired by Sir Derrick Holden-Brown—has won high marks for the way it has turned around its Lyons interests.

So despite its brewing problems, and a rather unspectacular profits performance, the group should have plenty of defensive material to draw on if a bid from Elders finally emerges.

Hazlewood in frozen food deal

BY CHARLES BATCHELOR

Hazlewood Foods, the fast-growing pickles to pizzas group, is to pay an initial £10m for Olaf Foods, the frozen fish and ethnic meals subsidiary of Bejam, the frozen food retailer.

Yesterday's announcement of the Olaf deal came less than two months after Hazlewood raised £20.5m by means of a one-for-one rights issue and is the latest in a string of acquisitions.

The purchase of Olaf takes Hazlewood into the frozen ready-meal market for the first time. Lt frees Bejam of a potential conflict of interest since Bejam's competitors were becoming reluctant to buy from the subsidiary of another frozen food retailer.

Olaf, which was set up jointly by Bejam and a group of Isle of Man holding companies in 1982, made a pre-tax profit of £1.39m in the year ended June 1985. After-tax profit was £1.16m and net assets at June 29 were £1.31m.

Olaf makes and distributes fish products such as oven fish and fishburgers, smoked salmon products and ready meals, spring rolls and filled pancake rolls, and trout and trout-based products.

The company's operations are based in Wrexham and Flint, both in Clwyd, and in Northern Ireland.

On completion Hazlewood will pay £5m cash and £5m worth of shares, to be disposed of in a vendor placing, and will make further payments depending on Olaf's future profits.

Milbury Homes liquidation

THE High Court has appointed the Official Receiver as provisional liquidator of Milbury Homes (North) Ltd on an application from Peco Properties, which recently bought a 78.7 per cent stake in Milbury Homes from financier, Mr Jim Raper, for £1.

Fleet hits back at United

Fleet Holdings, publishers of the Daily Express and Sunday Express, yesterday returned to the fray with a pithily-worded attack on Wednesday's offer document detailing United Newspapers' £226m takeover bid.

Maintaining the colloquial style which has characterised the Fleet defence, Mr Ian Irvine, managing director, accused United of "huffing and puffing that their offer is both full and fair."

Mr Irvine said that the United offer document made almost no mention of Fleet's magazine interests.

"The reason for this is obvious," he went on. "Morgan Grampian is better run and of higher quality than United's UK magazine interests."

He also charged United with commenting selectively on Fleet's national newspaper business. "Their claims show they have little understanding of Fleet's business. Fleet Street is littered with the good intentions of new proprietors who were confident they could eliminate the problems at a stroke."

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UK COMPANY NEWS

Shanks and McEwan set for SE early next year

BY STEFAN WAGSTYL

Shanks and McEwan, a 100-year-old Glasgow-based waste disposal, construction and plant hire company, is planning to come to the stock market next year with a capitalisation of up to £30m.

Broker Hoare Govett is likely to seek a listing for the group in February. But the issue could be delayed until late in 1986 if the company succeeds in making one of two major acquisitions which are currently under negotiation.

The flotation would crown a recovery at the group which has followed a bitter battle for control between the two founding families.

The company grew out of a partnership set up in the 1880s by Mr Guy Shanks, an engineer, and architect Mr Andrew McEwan. Mr McEwan died soon afterwards, leaving his stake to his family and control of the business to Mr Shanks.

The company prospered in the heyday of the building of Britain's railways — laying tracks and constructing stations. It also specialised in building steelworks in Scotland and elsewhere in the UK, notably in Corby.

But as Mr Shanks grew older so the company began to lose direction. Mr Alistair Fowler, finance director, says: "He was an old-fashioned autocrat and he really wanted the company to die with him."

Mr Shanks died in 1946 and was succeeded by his nephew, Mr Alec Shanks, who ran the business for the next 30 years until his death in 1976.

Unfortunately, says Mr Fowler, this left a power vacuum at the top of the company. "The company was almost brought to its knees."

The company went into an ill-fated venture in house-building. "We knew nothing about house-building," says Mr Fowler.

The group also expanded its construction work dramatically, he says, taking on too many contracts without the means to manage them properly. "We were over-trading. Turnover was going up and profits were going down."

Shareholders were split down the middle about what to do, with 50 per cent of the equity in McEwan hands and 50 per cent with the Shanks family.

The family battle for control was not over, however, even after Mr Alastair Neilson, a relative of the McEwans, left the board in 1980. He managed to secure control of the group for the McEwans by buying a handful of shares owned by a dissident Shanks shareholder. It was enough to give the McEwans' just over half the votes.

It took two years of negotiations to settle the dispute. Eventually in December 1982, a group of institutions put in funds to help the Shanks buy out the McEwans in a deal which valued the company at about £4m. The group's management, led by Mr Runciman, also took a stake.

In the meantime, Mr Runciman launched a rapid reorganisation of the group's activities. It pulled out of house-building, writing off £1m, and greatly cut back construction work to improve the level of management control. It also decided to expand the unglamorous, but profitable, waste handling business.

As a result, the group steadily recovered from break-even in 1980 to profits of £2.5m pre-tax in the year to March 1985 on turnover of £32.9m.

Waste handling now accounts for some 30 per cent of group profits, a proportion that is expected to grow rapidly over the next few years. The company handles waste, under long-term contracts, for four Scottish local authorities and runs an industrial waste collection business in Scotland and in Corby. There is also a joint venture company, part-owned by the British Steel Corporation, processing scrap metal and rubbish at the Ravenscraig works.

Both the group's potential acquisitions are companies in waste collection in England. Mr Fowler says that both are big enough to make a dramatic difference to the shape of the group, putting it "in the first division" of British waste handling companies, alongside com- diaries,crpeti cmf petitors which include subsidiaries of the BET industrial group and of the U.S. company, Browning Ferris.

Construction, once the biggest part of the group, now accounts for about a quarter of profits. Shanks and McEwan concentrates on three areas — roadworks, sewers and industrial buildings. It maintains its traditional links with steel-making areas, notably in Corby

The group plans to raise £7m to £8m when it comes to the stock market. It wants to use the cash to fund its expansion into waste handling and to have the option of making acquisitions for shares.

The company's institutional shareholders are also keen to secure a market value on the investment they made in very different circumstances three years ago. Mr Fowler says that their faith in the group has been justified.

"We went through a pretty turbulent time, but it's past history now."

Wadkin hit by building decline and high interest

MAINLY DUE to the weakness of the housebuilding industry the UK market for woodworking machinery has declined during the first half of the year. This, together with higher interest charges, has affected results at Wadkin, Leicester-based producer of wood and metalworking machinery and allied engineering products.

For the six months to end-June 1985 pre-tax profits slumped from £482,000 to £186,000 although turnover increased by 21 per cent from £15.43m to £18.65m.

The interim dividend is halved to 1p. For 1984 a total of 3p was paid, when pre-tax profits dropped substantially, from a restated £373,000 to £47,000.

Management problems at the Greensboro branch in the U.S. have now been resolved, the directors say. The resulting, but temporary, loss of momentum affected both the U.S. volume and the manufacturing divisions in the UK during the period.

However, forward indications are much improved, they add, and expect the remainder of the year to continue to be one of consolidation.

The group has already made progress in decentralising its organisational structure, and the consequent reductions in overheads will start to show through in the second half, but will have their full effect in 1986.

Higher profits for Schroders

PROFITS of Schroders, merchant banking group, were higher in the first six months of 1985 than for the comparable period in the previous year, the directors state.

Disclosed profits, before extraordinary items, were £15.14m in 1984 against £14.42m.

The company is paying an unchanged interim dividend of 6p per £1 share.

Wayne Kerr profits up 15% midway and board optimistic

Wayne Kerr, a designer and manufacturer of automatic test equipment and instrumentation for the electronics and telecommunications industries, which was floated on the Unlisted Securities Market earlier this year, increased pre-tax profits by 15 per cent to £625,000 in the six months to June 30 1985, compared with £541,000 in the first half of last year.

The company, which came to the USM with a market capitalisation of £13.5m, is paying an interim dividend of 0.5p.

Mr Alan Dennis, chairman and chief executive, says that at the time of the offer for sale the company reported improved demand in the early months of 1985. Since then the UK performance has exceeded budget.

In accordance with its plans and objectives, there were no significant Defence Ministry contact sales, he says, but UK and export sales of standard commercial products increased 32 per cent over the first half of last year. Group turnover was up 16 per cent to £5.95m (£5.12m).

However, the company's U.S. subsidiary, which was expected to grow strongly, encountered extremely difficult market conditions in the second quarter, he says, and sales fell marginally.

"As these circumstances continue, we have taken steps to reduce the costs of our American operations until more buoyant market conditions can be foreseen."

In spite of the difficulties in the U.S. and the uncertainties in the electronics sector in general, he says, the board is confident of the group's prospects.

The company has continued to launch products and increase spending on development engineering. The 6425 Precision Component Analyzer has been well received, he says, and the first installations of the advanced 8510 Automatic Test Equipment have been successful.

A number of developments are in progress which will enhance and extend the product range, he says.

As in the first half of last year, tax charges were £271,000.

BOARD MEETINGS

TODAY

Interims: Derek Crouch, Elys (Wimbledon), Executex Clothes, Gibbs and Dandy, Hay and Robertson, Laird Group.

Finals: Armitage Brothers, Framlington, Oceana Consolidated, Peerless, Pangkalen, Second Alliance Trust, Squirrel Horn.

FUTURE DATES

Interims—

A.T.A. Selection	Sept 18
B.S.G. International	Oct 1
Benro Industries	Sept 11
Barrow Hepburn	Sept 17
Bestobell	Sept 17
British Syphon Industries	Sept 18
Laidlaw Thomson	Sept 16
Lowe Howard-Spink Campbell-Ewald	Sept 18
Menzies (John)	Sept 23
Ransomes Sims and Jefferies	Sept 16
Scott and Robertson	Sept 24
Scottish Television	Oct 3
TR Pacific Basin Invest. Trust	Sept 30
Travis and Arnold	Sept 17
Wilkes (James)	Sept 18

Finals—

Chambers and Fargus	Sept 11
Datron International	Sept 10
Media Technology Intnl.	Sept 10
Minerals and Resources Corp.	Sept 24
Protimeter	Sept 19
RMC	Sept 25
Tottenham Hotspur	Sept 10

Moorgate Grp. expands 73% in first half

The Moorgate Group, financial marketing specialist, which ws floated on the Unlisted Securities Market last April, increased pre-tax profits by 73 per cent to £205,000 in the six months to June 30 1985 compared with £118,000 in the first half of last year.

Mr Jeremy Bond, chairman and joint managing director, says the result is broadly in line with expectations and with the forecast in April of £430,000 for the full year.

The prospects for the second half remain encouraging, he says, and the company expects to move soon into more spacious offices in London and New York, which will enable expansion plans to proceed.

"We are confident that business opportunities will continue to arise, which will enable the company to maintain its momentum," he says.

Turnover was up 74 per cent at £4.59m (£2.63m). Tax took £87,000 (£54,000), giving net profits of £118,000 (£64,000). Earnings a share were 2.52p

There is no interim dividend, as explained in the placing document.

UK COMPANY NEWS

Pentos accelerates and sees excellent prospects

THE RECOVERY at Pentos, the industrial hiding group, is gathering momentum, as profits before tax in the first half of 1985 have increased from £126,000 to £441,000.

And for the full year chairman Mr Tony Maher says he is expecting a further significant improvement over the £1.79m recorded for 1984, and claims that "longer term prospects are excellent."

Following the return to the dividend list last year, the company is paying an interim of 0.175p net.

The group's principal activities are in retailing and publishing, office and contract furniture, and property and construction. Turnover came to £21.8m and shows an improvement of 25 per cent over 1984 when allowing for disposals. It has been decided to sell or close down all of the remaining businesses in the disposal programme, and so far this year agreements have been made which should mean receipts in excess of £1.5m from sales.

Mr Maher says average borrowings in the half year were reduced by £2.5m compared with last year, but higher interest rates meant that finance charges were little changed.

A split of the £1.09m (£840,000) trading profit shows retailing and publishing £372,000 (£335,000), furniture £558,000 (£360,000), property £163,000 (£232,000) and others nil (loss £87,000).

The chairman says retailing and publishing profits are normally concentrated into the second half, with retailing usually incurring a loss in the first. However, a good start has been made to 1985 and "we are now poised for a major expansion of our activities both here and overseas."

Over the next 18 months all the Athena shops which do not comply to current design concept will be refurbished, and over the next three years the number of units will be increased from 40 to 100.

Plans have been finalised for the total refurbishment and expansion of Dillons Bookshop in London at a cost of over £1m; work will start and be completed within 1986.

Tax takes £19,000 (nil) and there are extraordinary charges of £57,000 (£85,000), leaving an attributable profit of £365,000 (£41,000). Earnings are shown at 0.91p (0.28p) per share.

Further progress by Linread

FOLLOWING the sale of its Canadian offshoot and further progress being enjoyed by the continuing activities, Linread was able to report pre-tax interim profits more than doubled.

With group turnover rising slightly in the first six months of 1985 from £7.14m to £7.47m, the Birmingham-based maker of cold forged fastenings reported taxable earnings up from £142,000 to £345,000.

From earnings per share of 6.01p (2.22p), the interim is being held at 1p. The company says that although the final payment will be decided on the basis of the full outcome it is expected that it would be at least an equal amount.

Last year a total dividend of 1.5p was paid on pre-tax profits of £71,000.

Mr D. G. Lynall, chairman, says the results continue to reflect the benefits arising from the management's actions to improve profitability together with a slightly better trading environment and more stable market conditions.

During the six months, agreement was reached to sell the Canadian offshoot to Surber Enterprises (Canada). The subsidiary made losses of £305,000 last year. The costs of withdrawal were provided for in full in the 1984 accounts and no results were included in the period under review.

In April the company acquired Sileby Engineering, a maker of automotive and transmission parts. It provided £850,000 of the turnover in the three months it was part of the group and made a useful contribution to profits.

Group operating profit was £426,000 (£217,000), with interest payable amounting to £81,000 (£75,000).

Higher loss for Stylo in first half

Stylo, shoe retailer and manufacturer of sports footwear, based in Bradford, West Yorkshire, recorded a pre-tax loss of £891,000 in the six months to August 3 1985, compared with £549,000 in the first half of last year.

Sales to external customers were up 8.7 per cent to £27.7m against £25.48m.

Trading profits after expenses were £976,000 (£631,000). Depreciation costs were £707,000 (£583,000); debenture, mortgage and loan interest took £77,000 (£78,000); and net bank interest payments were £1.1m (£519,000).

In the year to February 2 1985, Stylo made pre-tax profits of £2.35m compared with £1.1m in the same period a year earlier.

All-round advance lifts J. J. Frost to £700,000

WITH EACH of its three divisions showing improvements J. J. & D. Frost was able to lift its profits before tax from £614,636 to £708,037 in the first six months of 1985.

And with earnings per 25 p share emerging 19.8 per cent ahead at 4.9p (4.09p) the interim dividend is being raised by 0.5p to 2p net. The 33.3 per cent increase reflects directors' confidence for the year as a whole.

Turnover for the half year advanced from £41.79m to £44.21m — the group's operations take in financial services, petrol retailing and sales promotion.

Tax rose to £174,128 (£150,776) and after minorities of £82,341 (£94,316) the available balance came through at 451,568, against a previous £369,544.

In petrol retailing agreement has been reached with Elf Oil over the 51 leashold sites effective from August, 1984, and the results for the first six months contain the benefit, after writing off all costs and expenses, to the group.

As known, the group (formally Breman Trust) is proposing to acquire the remaining minority in Cash Stamps. It is also acquiring Bucks Land & Building, a licenced deposit taker, which the directors say will marke the change from consolidation in the banking services division to a period of expansion.

Instem ahead and order book at record

Instem, the USM-listed electronics group, raised its pre-tax profits to £379,000 over the first six months of 1985, an improvement of 41 per cent on the 269,000 of the previous year.

And with a maintained record order book at the interim stage the directors are looking for a satisfactory full year which, they say, will provide a good basis for prospects for 1986.

From earnings of 5p (3.54p) shareholders are to receive an interim dividend of 0.75p. The group came to market in November last year and for the period to end-December paid a single dividend of 0.5p.

Half year turnover improved from £2.15m to £2.95m. Tax took £154,000 (£122,000) to leave net profits £78,000 ahead at £225,000.

Mr David Gare, the chairman, says th group's sector of the electronics industry continues to demostrate the availablity of opportunities for growth over the medium term.

Over the 1984 year the group raised its profits by 138 per cent to £646,000, beating its prospectus forecast by 5 per cent.

M & S Canada

Marks & Spencer Canada, 53.7 per cent-owned subsidiary of Marks and Spencer, has achieved a pre-tax profit of C$1.42m (£750,000) in the half year to July 31 1985. In the comparable period losses of C$1.1m were incurred.

Total sales amounted to a higher $142.77m ($126.17m), turning the result at the operating level from losses of $125,000 to profits of $2.57m. After tax of $600,000 (nil), earnings per share are shown as 7c (losses 10c). A 10c interim dividend is being paid.

Killinghall

The special resolution to place Killinghall (Rubber) into members' voluntary liquidation was approved at the EGM. After provision for tax and other liabilities, Killinghall has declared a first distribution in the liquidation of £12 per 10p share.

Cement-Roadstone

In the half-year ended June 30 1985, Cement-Roadstone recorded an increase in turnover from I£231m to I£255.49m and a rise in pre-tax profit from £7.19m to £9.35m, equal to £7.36m sterling.

In yesterday's report a typographical error confused the figures; also the current interim dividend is 1.15p, not 1.5p, as stated.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

"We get on fine," says Midland's Brian Goldthorpe, of his relationship with Samuel Montagu Holdings, where Robert Logan (right), chief executive is working with Ernst Brutsche (left), who heads Midland's treasury, to introduce investment banking.

A test of Midland's nerve

David Lascelles assesses the UK bank's approach to the City 'revolution'

BACK IN 1979, Robert Logan and Ernst Brutsche were both working for Citibank in New York, the first running its merchant banking business, the second its treasury. Together *they formed a plan to combine* some of their activities into an investment banking operation, using the merchant bank's corporate contacts and ideas, and the treasury's dealing abilities in the money markets.

Unfortunately the idea got strangled by the internal politics of that mammoth organisation. Brutsche left, and then so did Logan.

By a strange chance, both men now find themselves in identical positions, this time in London at Midland Bank. Brutsche took over Midland's treasury two years ago, and Logan has just been made chief executive of Samuel Montagu Holdings, the parent company of Midland's merchant banking subsidiary.

By another coincidence, they also meet again just as Midland Bank is trying to put together an investment banking business of its own to participate in the City revolution, which will combine banking and securities dealing. So the two men will have a second crack at their Citibank scheme. Will they get it off the ground this time round?

The odds certainly look better. Like the other clearing banks, Midland is determined to win a place for itself in the new markets that are emerging in the City with the deregulation of the Stock Exchange. It has already chosen Montagu as its vehicle for this, along with W. Greenwell and Co. the stockbroking firm specialising in the gilt-edged market which it has arranged to buy. Work has begun to pull them all together.

But if the elements of an investment banking operation are in place, Brutsche and Logan still have to contend with the scepticism that Midland's recent unhappy past has bred in the City about its ability to handle ambitious new ventures, specially ones involving a fair degree of risk.

It is vital for Midland that this new venture is a success. Despite its better financial health, the UK's third largest clearing bank is still the one that can least afford a costly failure. And the blow to its morale of another mistake would be great.

After the Crocker National Bank disaster (now, it is to be hoped, on the mend), Midland's efforts in the past few months to reassert control over Montagu as part of its drive for tighter management throughout the group have proved more disruptive than it might have liked. The resignation of the previous chairman, Staffan Gadd, last December over the issue of the merchant bank's independence seemed to exemplify the conflicts that many people had anticipated when the clearing banks became involved with the freer spirits of the merchant banking world.

Since then, Midland has brought Montagu even closer by re-acquiring the 40 per cent stake which it sold to Aetna Life and Casualty of the U.S., making it a 100 per cent owned subsidiary once again.

But all talk of unhappiness at Montagu at the way things have turned out is dismissed by Midland as the chatter of jealous rivals. "I'm tired of hearing all about contrasts in style. We get on fine," says Brian Goldthorpe, Midland's chief executive in charge of group risk management, who is also a director of Montagu and as such closely involved in the reorganisation. Similar views are echoed by Logan, a gravelly-voiced native of Berwick-on-Tweed, who describes himself as "the bridge" between Montagu and Midland and stresses the need for "good communications."

His style is noticeably relaxed, possibly deceptively so—for someone pitched into such a hot seat. But morale at Montagu, he says, is good now, though people were initially worried about Midland's intentions.

Over at Greenwell, the partners were also unhappy about the terms of the original deal last year to sell half the firm to Midland. But they brought in professional negotiators to sell the other half, and improved them. Of the 42 partners, 38 voted for the deal, according to *Gordon Pepper*, the joint senior partner, and the other four were satisfied later by assurances from Midland over how the business was to be run. Greenwell was keen to join a clearer because it believed stockbrokers would only survive in the changed City with the big capital backing of a bank.

On paper, at least, Midland's plans look as good as any now being prepared in the City. Montagu combines the standing of one of London's top merchant banking names (decades of polishing have smoothed the brass plaque outside its Broad Street headquarters to near illegibility) with considerable financial market expertise built up under Gadd, particularly in the Euromarkets. The bank's image has inevitably suffered in the recent turmoil, and it is weaker than Logan would like on the corporate finance side. "We need some more big name business."

But the combination of Logan and Brutsche (who are so close they actually live in the same street in Victoria) could be a powerful one in the financial markets so long as Midland does not lose its nerve. Brutsche, a well-groomed, precise German, has already made his mark on Midland's treasury by reorganising the department and giving it a more aggressive style.

Greenwell is one of the leading stockbrokers in the gilt-edged market, where Midland aims to be a primary dealer under the new arrangements proposed by the Bank of England, with an operation capitalised at around £25m. In Pepper, Midland has also secured one of the more creative minds at work in the City.

And Crocker, for all its failings, is a primary dealer in U.S. government bonds, giving Midland access to the U.S. capital markets which none of the other clearers have (though Kleinwort Benson, the merchant bank, also owns a U.S. primary dealer).

Much will depend on the 54-year-old Logan who can draw on extensive international banking experience (he worked at Grindlays and BOLSA as well as Citibank). He has the task of moulding Montagu to Midland's strategic plans, without damaging what he calls Montagu's "esprit de corps."

Like Gadd, he will report directly to Geoffrey Taylor, the Midland group chief executive. He also sits on the group executive committee and will be involved in the top level planning meetings scheduled this coming autumn to hammer out Midland strategy. Unlike Gadd, though, who insisted "either you run an independent bank or you don't," he talks of the need to "create the right balance. . . ."

On the financial side, the parameters of Montagu's dealing business will be set by Brutsche and co-ordinated within the Midland Group, though Montagu will have some freedom to deal on its own initiative within those limits. Montagu will also handle the international capital markets business of Crocker under the *new arrangements designed to* merge the U.S. bank in more closely.

The co-ordination will be achieved by moving Midland's new capital markets activities, including all of Greenwell and Montagu, into one of the new towers being built by the old Billingsgate fish market. The operation will occupy 65,000 square feet on three floors, where there is space initially for 350-400 dealer positions, rising to 700 if necessary.

"You have got to get the people together physically," says Pepper, who has been pushing hard for a unified trading floor so that ideas can flow between dealers in different markets.

(Ironically, it was Gadd who set up the Billingsgate deal only to be criticised for extravagance. But people at Midland now say that Billingsgate was less of an issue behind Gadd's departure than commonly thought.)

This massive operation will be supported by a sophisticated new computer system for which Logan is calling in a group of automation consultants he put together at Grindlays. They have already constructed systems for Citibank and Trinkaus & Burkhardt, Midland's West German banking subsidiary, and are now working a software package for Greenwell's gilt-edged business.

The move to Billingsgate will also get Montagu out of its rabbit warren in Broad Street where corridors twist and weave, and lifts have doors pointing in two directions. This is something Logan welcomes because it will help him get a grip on costs and raise Montagu's profitability. (After poor results in 1984, Montagu did better in the first half of this year, though Logan says it has less to do with new management than better trading conditions.)

By Big Bang, the date toward the end of next year when Stock Exchange deregulation happens, Midland hopes to have one of the strongest capital markets ventures now being assembled in the City. It should be able to originate, trade and distribute a wide range of securities, including equities, gilts, bonds and international securities.

It may have some weaknesses. As part of the reacquisition of the Montagu minority from Aetna, Midland agreed to part with Montagu's investment management arm. Whether this means Midland will lack a useful limb in the City Revolution is a moot point. Other merchant banking groups have found their investment management operations a slight embarrassment because of the conflicts of interest in being simultaneously an investor and trader in securities. On the *other hand*, Logan would like to build up that business which, at the moment, consists of little more than the management of Midland's own pension fund.

Midland also made a decision not to buy a jobbing firm—unlike some of its competitors—believing that between them Montagu and Midland knew enough about making markets in securities. Experience will tell whether they were right.

Management abstracts

The tax terrors of management Buyouts. B. Friedman in Accountancy Age (UK), May 2 1985 and May 9 1985 (2 pages).

Outlines the many tax pitfalls that face the new owners in a management buyout, and ways of avoiding them, supported by a fictional case example. Stresses the need for proper professional advice.

Countertrade. D. Francis in Accountancy Age (UK), May 9 1985 (1 page).

Defines countertrade — used by certain countries to acquire goods without paying for them — as cumbersome, costly and risky, and outlines reasons why countertrade goods are often difficult to sell. But, as it is frequently unavoidable if export markets are to be penetrated, offers advice on putting together a successful deal.

Workers' rights in a business transfer. H. Jacobs in The Accountant (UK), March 28-April 4 1985 (2 pages)

Examines the recent legislation—mirroring EEC requirements—which covers the protection of employees when a business is sold; points to some areas of imprecision and questions that arise, eg, those transactions to which the regulations apply.

Reverse synergy. K. Bhattacharya in Accountancy (UK), May 1985 (2 pages)

Discusses how a diversified company experiencing difficulties (Hawkins and Tipson—rope and wire and garden furniture manufacturer—is used as an example) should analyse the slack in its operations (the so-called reverse synergy technique) and use that slack to boost operations which are expanding. Points out that reverse synergy requires an appropriate strategic-business-unit analysis—the dogs, the stars, etc.

Objection to goodwill standard. E. Woolf in Accountancy (UK), May 1985 (3 pages)

Critises the recent accounting standard on goodwill; maintains that inherent goodwill is a different phenomenon from purchased goodwill and therefore the accounting can be different and amortisation should take place.

Is the social drinker killing your company? D. R. Beeman in Business Horizons (U.S.), Jan/Feb 85 (28/1) (4½ pages) pages)

Warns industry against the social drinker; quotes examples of how alcohol can linger in the bloodstream, impair judgment and be "partly responsible for dumping raw pesticide into a river or marketing an unsafe product."

Counting the cost of overtime. E. Whiting in Accountancy (UK), June 1985 (2½ pages)

Analyses the cost of using overtime instead of recruiting extra manpower; finds that ordinary time with a new person is more economic than overtime; concludes that non-cost factors must carry more weight in the management decision because overtime has been increasing.

Market research through the looking-glass. H. Hawkins in Design (UK), June 1985 (2 pages)

Gives examples of how designers use two-way mirrors (hired at up to £800 a day) to eavesdrop on test group reactions to new products; quotes the *reactions of designers*—some enthusiastic, some sceptical, (with a preference for watching videotaped discussions).

Increasing performance appraisal effectiveness. C. Lee in Academy of Management Review (U.S.), April 1985 (10 pages)

Contends that many performance appraisal schemes are unsuccessful because they fail to take proper account of the differences among a wide variety of jobs and tasks. Argues that *for schemes* to be successful they should match the nature of the tasks with specific appraisal formats emphasising output; points to the need for training programmes to ensure that appraisers are aware of the pitfalls of making judgments on doubtful criteria.

Is your computer insecure? J. S. Zimmerman in Datamation (U.S.), May 15 1985 (5 pages)

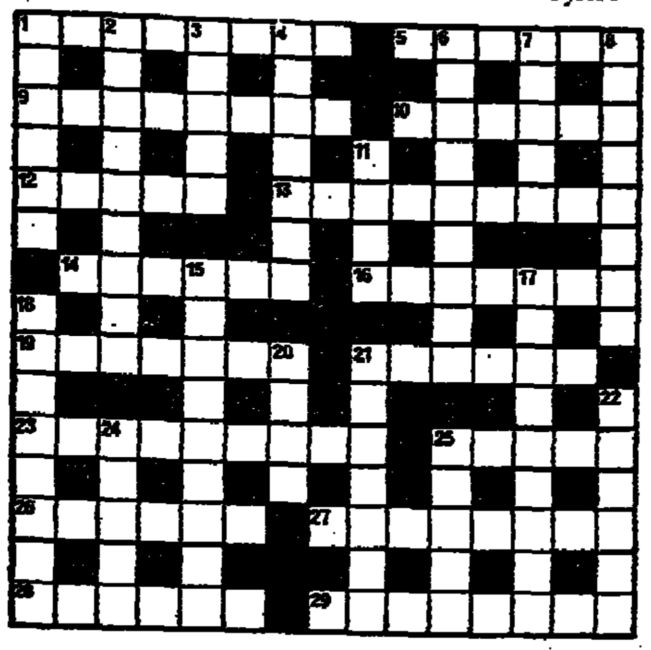
Challenges the orthodox principles of computer security and in particular dissents from the commonly-accepted methods of risk assessment; argues that less attention should be paid to cost aspects and more to building confidence in the security system.

Noise control equipment. B. Walker in Chartered Mechanical Engineer (UK), June 1985 (2½ pages)

Examines the field of passive noise control in relation to manufacturing plant (e.g. lagging, acoustic enclosures), and advises on the selection of equipment; stresses the importance of providing suppliers with the maximum information to ensure the optimisation of durable design and costs.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

F.T. CROSSWORD PUZZLE No. 5,814



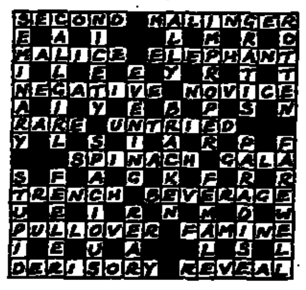
ACROSS

1 For country home, read Wodehouse (3-5)
5 Such a reaper could become chesty (6)
9 Regular club for evening? (8)
10 Ticket in quarters (6)
12 Drum subjected to high pressure (5)
13 Alaskans' main refuge? (9)
14 Invective of one in traffic (6)
16 Miss ice breaking up in respect of tremor-detection (7)
19 Still producing beer? Get doctor in charge! (7)
21 Areas for putting fresh leaves (6)
23 Number of events in which the old can collapse (9)
25 Finding head of ski-school is a learner, fibre needed! (5)
26 This boy, abroad, has to wait (6)
27 Party-member who took to pot (8)
28 Showing knotty lumps, medicine not required? (6)
29 Window as secured by mortar (8)

DOWN

1 The bad in for good? (6)
2 For change of rings, read "method" (9)
3 Quick-silver island of the French (5)
4 Divorce one thus retarded (7)
6 I, in Cornell endlessly improved old dress for women — (9)
7 — — but in this university, a slattern retired (5)
8 Take firm position in NH centre, perhaps (8)
11 Singles champions (4)
15 Aspiring to put limit to debts (9)
17 This relish can suit me when mixed (4, 5)
18 Welsh woolly? (8)
20 Ring up for estimate (4)
21 It is dangerous to have a Venetian blind in one (7)
22 Watch-chain to which a sovereign was attached (6)
24 Smoked — but underwent proper treatment? (5)
25 Battleground wherein a few surrounded many (5)

SOLUTION TO PUZZLE NO 5,813



APPOINTMENTS

Mitchell Cotts board posts

MITCHELL COTTS has promoted two senior executives to the board: Mr Richard H. Binnington, managing director of Mitchell Cotts Chemicals and Mr Brian T. Griffiths, managing director of Mitchell Cotts and Co (Engineering). Mr J. P. Wirth retires from the board on September 30.

★

VANBRUGH LIFE, a member of the Prudential Corporation, has appointed Mr Brian Goldstein as marketing director. Mr Goldstein joins Vanbrugh from Jardine Glanvill (UK) where he was marketing director.

★

NEWCASTLE BUILDING SOCIETY has appointed Mr Douglas C. Kirk to its board. Until recently he was the northern regional director of the Legal & General Assurance Society's Northern and Scottish Board.

★

COUNTY BANK has appointed Mr Oliver Richter chairman of County Australia Holdings. County Australia Holdings is the investment banking operation of National Westminster Bank in Australia. Mr Richter is chairman of Brambles Industries and Clyde Industries and a director of Borg Warner (Australia). County Australia Holdings has two wholly-owned subsidiaries — County Australia Securities which deals in capital markets, corporate finance and equities, and County Australia Investment Management which specialises in investment funds management. Mr Jonathan Cohen, deputy chief executive of County Bank in London, is the new deputy chairman of County Australia Holdings, and Mr Peter Hall, the managing director. The other directors are Ms Christine Downton, Mr Ron Goddard, Mr David Lough, Mr Charles Macek, Mr Ross McCarty and Mr John Rees.

★

SALOMON BROTHERS INTERNATIONAL has recruited Mr Stephen Brisby, a director of merchant bankers J. Henry Schroder Wagg & Co, to lead the expansion of its investment banking business in the UK.

★

BRITISH ROPES, the Doncaster-based Bridon subsidiary, has made the following management appointments: Mr A. K. Clawson, previously director, marketing, becomes director, business development; Mr P. Walker, formerly director, production, is appointed director, sales and marketing; Mr R. Hill succeeds Mr Walker as director, production, and Mr J. A. McDonnell is appointed director, group wire sales.

★

A-R TELEVISION, the publicly-quoted subsidiary of BET which holds BET's stake in Thames TV, has appointed Mr John T. Davey as its chairman. The appointment follows the retirement of the previous chairman, Mr Hugh Dundas, who is retiring from all executive duties within BET, including that of chief executive, while remaining as chairman of BET and of Thames Television. Mr Davey has been a director of A-R Television since 1967 and is a director of both BET and Thames Television.

★

TUNSTALL TELECOM has made Mr Nigel Casson its finance director and Mr David Johnson marketing director. Tunstall Telecom is a wholly owned subsidiary of Tunstall Telecom Group.

★

Mr Richard Ellert, former investment director of East Anglian Securities Trust, has been appointed managing director of OCEANA ASSET MANAGEMENT, a wholly-owned subsidiary of The Oceana Consolidated Co. Mr Michael Clark, a partner of Charles Stanley and Co, has also been appointed a director.

★

STC TELECOMMUNICATIONS has appointed Mr Bill White, as general manager of its defence systems division. Mr White has been the division's business operations manager since April. Before joining STC Telecommunications, he was with Racal and with Cable and Wireless.

★

ELBAR INDUSTRIAL has appointed Mr Martin J. Calhoun its group financial controller. He joins Elbar from the MJI Corporation where he was group finance director.

★

EXCESS INSURANCE GROUP has made the following changes: Mr Mike Galbraith is appointed director, financial markets. Dr Stewart Coutts becomes chief actuary, and Mr Geoff Hunt, deputy controller. Mr Mike Anstee is appointed deputy director, insurance services.

★

KMG THOMSON McLINTOCK has appointed Mr James D. Broomfield director of business development from October 1. He joins the firm from Hobsons where he has been for the last four years having previously spent three years with McDermott International Inc.

★

Mr David Bennett has been appointed director of EUROFI (UK). He was formerly responsible for advising on EEC affairs at the British Gas Corporation.

★

Mr Hans Gander has been appointed first vice-president of SWISS BANK CORPORATION, London. He was formerly in charge of the cash and liability management division at SBC's general management in Zurich.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
80, Holdenhurst Rd., Bournemouth 0345 717373

	Bid Price	Offer Price	+ or −	Yield Gross
High Income				
Gilts & Fixed Int.	111.7	118.2xd	+0.1	10.15
High Inc Equity	72.6	77.5	−0.1	6.59
Worldwide Bond	148.6	157.9xd	+0.2	6.14
Capital Growth				
American Growth	137.6	140.0	−0.7	2.86
Asian Pacific	44.1	47.1	+0.2	2.67
Assets & Engy. Tt.	78.4	83.9	−0.4	2.17
Capital Reserve	99.3	99.8	—	—
Commodity & Engy.	69.0	74.2xd	—	2.05
European Capital	40.1	43.1	−0.2	2.82
General	106.8	114.2	−0.7	3.72
Japan	140.9	151.5	−0.2	—
UK Growth Acc Units	105.0	112.9	+0.9	1.45
UK Growth Dist	74.0	79.5	+0.7	1.94
U.S. Emerging Co's	32.7	36.4	−0.3	0.45
Equities Prog.	160.7	171.8	−1.2	3.83

Aitken Hume
30, City Road, EC1Y 2AY. 01-638 6626

	Bid Price	Offer Price	+ or −	Yield Gross
American Tech Fd	103.6	110.8	—	—
Pacific Fd	115.1	123.2	—	0.20
Secured Income Fd	141.2	151.0	−1.0	3.50
Special Sits	154.5	165.3	+1.3	1.56
Energy Fd	29.5	31.5	−0.1	0.60
American Majors	56.7	60.6	−0.3	1.56
Small Co's Fd	29.2	31.2	−0.3	1.97
Jap. Technology	49.0	52.4	—	0.18
International Income	50.0	53.5	—	7.00
Europe	425.5	455.0	—	—

Allied Dunbar Unit Trusts PLC (a)(g)
Allied Dunbar House, Helton, Brentwood, Essex
Brentwood. (0277) 211459 & 229123

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
01-405 8441

[illegible]	64.1	68.2	[illegible]	3.15
Accum Units	94.8	100.8	-0.3	3.15
[illegible]	90.4	96.7	-0.2	4.18
[illegible]	94.6	100.6	-0.4	4.18
(Accum Units)	159.9	170.1	-0.6	4.18

Perpetual Unit Trust Mngmt. (a)
48 Hart Street, Henley on Thames 0491 576868

Growth	183.5	196.9	+0.3	1.56
Income	140.6	150.6	[illegible]	5.37
Worldwide Recovery	104.2	111.9	-0.6	2.03
American Growth	55.9	60.0	-0.1	0.70
Int'l Emerging Cos	58.9	63.2	-0.1	0.74
Far East Growth Fd.	45.7	49.1	+0.2	1.0

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544

Prolific Far East	98.6	105.6	-0.6	0.37
Prolific Extra Inc	62.9	66.9	+0.1	6.02
Prolific Gilt Cap.	82.7	86.1	+0.1	3.19
Prolific High Inc	133.6	142.1	-0.2	5.28
Prolific Intl	81.1	88.0	-0.2	1.5
Prolific N Amer	114.7	122.9	-0.6	2.37
Prolific Spec. Sits	143.1	152.[illegible]	-0.2	7.67
Prolific Technology	98.0	105.0	-0.3	0.96

Providence Capital Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.4	51.5		
Worldwide	47.6	50.4		2.80
European Trust	50.5	53.9	-0.2	2.13
North American	48.1	51.5	-0.2	2.01
UK Equity	50.7	53.7		3.91

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL 01-478 3377

Holborn Equity Tst	327.5	348.4	-1.6	3.61
Holborn Gilt Tst	155.8	162.8	+0.3	7.24
Holborn High Inc.	56.2	59.7	+0.1	6.79
Holborn Intl	58.9	62.6	-0.3	0.56
Holborn UK Growth	65.0	69.1	-0.2	3.26

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

[illegible]

INSURANCES

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.63	-0.20	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$11.10	-0.18	—

Inv. Adv. M & G Inv. Mngt, Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.07	-0.09	—
Dynamic Gwth Fd	$8.25	-0.06	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund				
77 London Wall, London EC2N 1DB			01 588 1815	
Deposit	11.40		11.90	
The Money Market Trust				
61 Qn Victoria St, EC4N 4ST			01-236 0952	
Call Fund	11.59	8.16	12.10	Mth
7-day Fund	11.62	8.64	12.04	Mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE			01-236 1425	
Call Fund	11.14	8.00	12.48	6-Mth
7-day Fund	11.57	8.09	12.74	6-Mth
Dollar		6.69		6-Mth
Money Mngt Acct	11.125	8.22	12.27	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc				
22 Charlotte Sq, Edinburgh, EH2 4DF			031-225 8484	
Full Service Chq Acc	11.25	8.00	11.93	Qtr
Aitken Hume				
30 City Road, EC1Y 2AY			01 638 6070	
Treasury Act	11.375	8.90	12.70	Qtr
Hgh Int. Chq	11.25	8.40	12.60	Mth
Bank of Scotland				
38 Threadneedle St, EC2P 2EH.			01-628 8060	
Money Mkt Cheque Acc	10.85	8.11	12.01	Mth
Barclays Prime Account				
PO Box 125, Northampton			0604 252891	
High Int. Cheque	11.0	8.25	12.32	Qtr
Britannia Investment Services Ltd.				
29 Finsbury Circus, EC2M 5QL			01-588 2777	
Cater Allen	11.13	8.32	12.34	Mth
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH.			01-248 3999	
Sterling	11.13	8.29	12.34	Mth
U.S. Dollar	7.25	7.25	7.50	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings				
St Martins Hse, Hammersmith Grove			01-748 9251	
Cheque Plus		9.00	13.30	Qtr
Co-operative Bank Cheque & Save				
78-80 Cornhill EC3 01-626 6543.				
£500-£2,500	9.50	7.10	10.41	Qtr
£2,500 +	12.00	8.97	13.29	Qtr
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE.			0803 862271	
Money Mkt Acc	11.00	8.22	12.27	Qtr
Edward Manson & Co Ltd				
9 Henrietta Place W1M 9AG			01-631 3313	
Cheque Deposit Acc	11.50	8.59	12.98	Mth
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH			01-628 8060	
Money Mkt. Cheque Acc.	10.85	8.11	12.01	Mth
Lloyds Bank PLC				
71 Lombard St, London, EC3P 3BS.			01-626 1500	
HighIntCheque Account	11.25	8.25	12.33	Qtr
Lombard North Central PLC				
17 Bruton St, W1A 3DH.			01-409 3434	
14-Day Notice	11.500	8.598	12.280	—
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford.			0245 51651	
H.I.C.A.	11.125	8.30	12.35	Daily
Midland Bank plc				
PO Box 2, Sheffield.			0742 20999 Ext 8655	
High Int Chq Acc	10.70	8.00	11.92	Qtr
£10,000 +	11.17	8.35	12.47	Qtr
Provincial Trust (formerly Chesterfield)				
30 Ashley Rd, Altrincham, Cheshire			061-928 9011	
Cheque Acc.	11.50	8.60	13.00	Mth
Royal Bank of Scotland plc				
24 Lombard St, London EC3V 9BA			031-557 0201	
Premium Account	11.0	8.22	12.27	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB.			0708 66966	
H.I.B.A.	10.83	8.10	12.05	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol.			0272 732241	
Demand Acc.	11.35	8.48	12.68	Qtr
Money Acc	11.20	8.37	12.50	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth			0705 827733	
Special Acc	11.00	8.22	12.40	Mth
Over £10,000	11.25	8.41	12.70	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE			0752 24141	
High Int Chq Acc	11.81	8.85	13.06	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex-subdivision. ☆ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase ad as desired.

OPTIONS

3-month call rates

Industrials	p		p
Allied-Lyons	16	Marks & Spencer	11
BAT	32	Midland Bk	30
BOC Grp	25	NEI	8
BSR	16	Nat West Bk	60
BTR	52	P & O Dfd	36
Babcock	14	Plessey	17
Barclays	48	Polly Peck	26
Beecham	32	Racal Elect	18
Blue Circle	45	RHM	11
Boots	15	Rank Org Ord	32
Bowaters	20	Reed Intnl	50
Brit Aerospace	33	Sears	8
Brit. Telecom	11	TI	28
Brown (J.)	3	Tesco	20
Burton Ord	39	Thorn EMI	36
Cadburys	14	Trust Houses	13
Charter Cons	18	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
FNFC	8½	Cap Counties	18
Gen Accident	45	Land Secs	25
Gen Electric	17	MEPC	29
Glaxo	85	Peachey	22
Grand Met	25	Samuel Props	14
GUS 'A'	60	**Oils**	
Guardian	60	Brit. Oil & Min.	4
GKN	17	Brit Petroleum	42
Hanson Tst	17½	Burmah Oil	18
Hawker Sidd	38	Charterhall	6
ICI	60	Premier	5
'Imps'	18	Shell	60
Jaguar	28	Tricentrol	18
Ladbroke	24	Ultramar	19
Legal & Gen	50	**Mines**	
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

EEC support plan likely to raise beef mountain

BY QUENTIN PEEL IN BRUSSELS

NEW MEASURES to support beef prices in the EEC, *intended primarily* to protect farmers in Ireland and France, are set to cause a new surge in supplies to the bulging beef stores of the Community.

The moves, approved by an emergency meeting of the beef management committee *in* Brussels, will allow producers to sell whole and half-carcasses of meat into national intervention stores for three weeks in October, *instead* of selling them on the open market.

The decision *is likely to in*crease the present intake of the cold stores, which already contain *some* 750,000 tonnes of beef, from the present weekly figure of 7,000-8,000 tonnes, to around 20,000 tonnes.

However the move is regarded as *too* little and too late by the Irish beef industry, where *prices* have dropped sharply following the wettest August this century. Farmers fearing a shortage of winter fodder have already hastened to sell off their stock.

The emergency beef management committee meeting was called after representations in *Brussels by Mr Austin Deasy*, the Irish Agriculture Minister, and M Henri Nallet, his French counterpart.

However, the decision falls short of the immediate opening of intervention stores to whole carcasses sought by the Irish, and may not be enough to stem the price decline, national officials fear.

It will allow producers *in* Britain and Ireland to sell the carcasses of bullocks into store, *while in most other parts of the* Community it covers the meat of young bulls under two years' old. In France and West Germany, it includes both categories.

At present the intervention agencies are *only buying* the butchered fore-quarters of beef, with a deadline of September 30. French producers feared a drop in prices after that date, without further intervention.

Attempts by the European Commission to boost beef exports have yet to have any effect on the frozen surplus, which stood at 665,000 tonnes at the end of 1984. Further *measures* were introduced last month with subsidies on beef sales to 10 Asian countries, arousing renewed protests from Australia at unfair competition.

EEC exports which reached nearly 800,000 tonnes in 1984 are not expected to total more than 600,000 tonnes this year. The Soviet Union, a traditional buyer, has not bought from the Community since early last year.

Subsidies for meat taken *into private stores are* being maintained, with around 15,000 tonnes having been kept off the market as a result. Brussels officials argue that such subsidies are much cheaper than full scale intervention.

*The officials would not com*mit themselves on whether existing intervention stores would have enough capacity for the new purchases in October: last year, the Commission had to approach Austria, Switzerland and Spain to take the excess when storage space ran out.

Zimbabwe studies palm oil project

By Tony Hawkins in Harare

THE ZIMBABWE cabinet is currently considering a major foreign investment project valued at Z$180m (£76m) to *establish a 12,000-hectare palm* oil plantation in the south-eastern Lowveld. Revealing this in a reply to a parliamentary question this week, the Deputy Agriculture Minister, Dr Mombeshora, said 8,000 *hectares would be run as a* commercial enterprise by GMHL Investments and the balance ceded to some 2,000 smallholders.

GMHL Investments is 70 per cent owned by a British company—Aberfoyle. The Minister explained that part of the deal involved the purchase of the *British-owned Electra Invest*ments by GMHL Investments and that the foreign exchange implications of this needed "careful consideration."

● Poland has reported a record *oilseed rape harvest this year* of 1.1m tonnes putting the country into second place among European producers and leaving surpluses for export, reports Christopher Bobinski from Warsaw.

● FINLAND'S coal imports from Poland have dropped dramatically during the past few months and Finnish importers believe this is because Poland has been obliged to export more of its coal to the Soviet Union and some Western countries with whom Poland has a large debt, reports Olli V. Virtanen from Helsinki.

Imatran Voima, Finland's state owned power company and the country's leading coal consumer, planned to import 1.5m tonnes of coal from Poland this year. Now the company estimates that the *total* will not exceed 200,000 tonnes.

● ATC Handelsgesellschaft MBH of Vienna has signed a contract to purchase undisclosed quantities of alumina from the Clarendon Alumina Products, which is owned by the Jamaican Government, reports *Canute James from Kingston.*

Warning on uranium supplies

BY ANDREW GOWERS

COGEMA, the French state nuclear fuels company, yesterday warned the world's uranium industry that exploration for the mineral is running dangerously low, and that if it is not stepped up, supplies may become concentrated in *perilously few hands*.

M Michel Bervillé, the company's exploration manager, told the annual Uranium Institute symposium in London that the world's reasonably assured recoverable reserves of uranium *are not as large as indicated by* official figures.

The Organisation for Economic Co-operation and Development (OECD) estimates such reserves as equivalent to 25 years of assured supply, but M Bervillé said the actual figure was probably closer to 15 years.

"Even given the existence of four or five years of stock-piles, our supply assurance is not as comfortable as it appears to be at *first sight*," *he said*.

Present low uranium prices—the spot price has ben languishing between $15 and $16 a pound for many months—had stifled investment in exploration for and development of new sources. If the market continued to be depressed, the danger of a shortfall in supplies—accompanied by a precipitous price rise as occurred in the 1970s—could only grow.

M Berville cautioned against regarding large, *high*-grade and low-cost deposits such as that recently discovered by Cogema in a local joint venture at Cigar Lake in Saskatchewan as a full compensation for the loss in reserves

Cigar Lake, said to contain the highest grade of uranium ever found, contained 150,000 tonnes of uranium, while some 300,000 tonnes of reserves had disappeared between 1981 and 1983.

"If low market prices prevail for a lengthy period of time, most of today's mining centres will shut down, as some have already done," he said. "It would be risky to plan to rely solely on these (large) deposits. The self-interest of future yellowcake (uranium concentrate) buyers is to have a diversified uranium mining industry."

A further danger was that, if uranium exploration did not pick up soon, vital professional expertise might be lost.

"Uranium geologists will engaged in other businesses, from precious metals exploration to taxi-driving," he said.

M Berville's remarks were in part a plug for Cogema's own exploration policy. The French company is one of the few operators still active in uranium exploration around the world.

His view was echoed in an upbeat paper by Dr Robert Morrison, director-general of the Canadian Department of Energy, Mines and Resources, who said that new uranium production facilities might well be needed *from* the early 1990s

But it was implicitly questioned by Mr Phillip Crowson, chief economist with the diversified mining company Rio Tinto-Zinc. He pointed out that as in many other metals, uranium mining companies had been consistently *over-optimistic* in their forecasts of demand

Jacobs-Suchard's cocoa market strategy

John Wicks on the Swiss chocolate group's decision to set up a London trading unit

THE RECENTLY-announced intention of Jacobs-Suchard, the Swiss-based coffee and chocolate group, to set up a *cocoa trading unit in London is* something of a milestone in this sector of the commodities business. It is the first time that a major chocolate producer has come to the London market with an arm's-length trading subsidiary — and one which will sell not only to associated companies but also to third *parties*.

Jacobs-Suchard, which is today based in Zurich, is the successor to the Interfood group, within which the formerly German Jacobs coffee empire merged with the traditional Swiss chocolate companies Suchard and Tobler. Last year, the chocolate and confectionery division accounted for almost SwFr 1.8bn (£560m) of the group's consolidated *SwFr 5.11bn turnover.*

It is one of the real multinationals, with factories and sales subsidiaries in some 14 countries. National companies work as profit centres to an annual budget target.

This poses something of a problem for the group's supply policy, however. A centralised buying system offers the advantages of bulk orders and a big customer's clout with producers — but *it also* means that national subsidiaries can hardly act as profit centres in that they have no influence on purchasing. A completely decentralised system puts the necessary responsibility on the national managers — but loses the benefit *of* large-volume deals.

According to Mr Jens Sroka, deputy general manager in charge of buying, Jacobs-Suchard has aimed to get the best of both worlds. A central purchasing unit with the status *of a trading company supplies* the national subsidiaries, which in their turn have the right to carry out their own covering policy. A prerequisite is simply that they purchase most of their raw materials from the central unit at "competitive world-market prices."

The trading company is itself free to trade — within daily limits controlled by Mr Sroka at headquarters — and sell to outside companies. The required purchases by the national subsidiaries give it the necessary volume guarantee, while its pricing is naturally subject to the "competitive-price" rule laid down by Zurich.

Raw-material costs are particularly important to Jacobs-Suchard in the case of coffee and cocoa. In contrast, sugar and milk prices are much more stable and thus much less likely to upset corporate calculations.

In the coffee sector, the company works through a trading subsidiary called Taloca in the Swiss town of Zug. Although Zug may have attracted commodities firms by its advantageous tax rates, it has today become one of the world centres for coffee trading. Taloca works closely with producer countries and has branches of its own in Colombia, Brazil, the Ivory Coast and Kenya.

Zug is also the home Sopra, Jacobs-Suchard's existing cocoa trading operation. It is, however, much less of a world *centre in the* cocoa business. With the setting up of the subsidiary Sopra (UK), much of the activity will move to London — although there are at present no plans to close down in Zug, which will for the time being run parallel to the UK unit.

"London is simply the *cocoa market*," *says* Mr Sroka. He sees the formation of the new company as taking Jacobs-Suchard to where there are plenty of expert traders and market information. Also, visitors from producer countries may well find it easier to come to London. He stresses that Sopra (UK) is not intended as a *means of eliminating* the group's important links to existing London traders. Jacobs-Suchard wants to make use of the market, not by-pass it, he says, even though the new firm might buy a certain part of its cocoa directly.

Is the trading operation one stage in a journey upstream towards the business of actually growing cocoa? "Definitely not," says Mr Sroka. "*We shall go as close* to supply as necessary — but on no account become *producers ourselves.*"

Court challenge for Brazil coffee rule

By Ann Charters in Sao Paulo

SANTOS COFFEE traders are *threatening to take the* Brazilian Coffee Institute to court over its requirement that exporters retain two sacks of coffee for each sack exported beginning with October shipments.

A meeting of 64 exporters this week decided to proceed *with judicial action* in Brasilia next week. Present at the meeting were representatives of coffee exporters from Sao Paolo, Rio de Janeiro, Minas Gerais, and Parana. Senor Jose Rodrigues, economic adviser to the Commercial Association of Santos, said that exporters from Bahia are expected to *initiate a similar action.*

EEC grain trade attacks Greek delaying tactics

BY OUR COMMODITIES EDITOR

THE EUROPEAN grain trade lobby, Coceral, yesterday accused Greece of continuing to breach EEC law through rules hampering imports and exports of cereals, despite a decision by Athens last month to *allow the delivery of a pre*viously blocked consignment of French milling wheat.

Last month, Coceral wrote to Mr Frans Andriessen, the EEC farm commissioner, protesting at Greece's refusal to allow in large quantities of French grain.

This move, which followed a long campaign by the grain traders against the country's restrictive import and export rules, apparently prompetd the Commission to telex the Greek authorities demanding that they *allow unloading of the consign*ment, and Athens duly complied.

However, Coceral said yesterday that Greece had made clear that its decision in that case was "exceptional," and that the grain traders' complaint *still stood. The European Com*mision is believed to be planning to discuss the issue later this month.

According to a circular from Coceral, Greece does not regard EEC certificates as sufficient for the import or export of grain, and requires an additional licence, approval of which can take weeks or months.

"The Greek Government continually used this delay in granting licences as a means of promoting or suppressing exports or imports, according to the policy of the time," *it said.*

LONDON MARKETS

NICKEL PRICES on the London Metal Exchange remained under pressure yesterday reflecting continued concern about the low level of world demand. The cash quotation closed at £3,410 a tonne, down £32.50 on the day.

The zinc market also continued its decline although it *steadied at the lower levels* reached in the morning. Cash zinc closed £3 lower at £514.50 a tonne.

The copper market was basically quiet. Losses on sentiment in early dealings were made up in the afternoon as the pound weakened and the cash higher grade position ended £1 up at £1,015 a tonne.

LME prices supplied by Amalgamated Metal Trading

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	Sept5 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1040/60	—5	$1050/70
Copper			
Cash h Grade	£1015	+1	£1043.25
3 mths	£1048.75	+1	£1066.5
Gold Troy oz	$325.75	+1	$322.75
Lead Cash	£297.13	—2.64	£294.87
3 mths	£298.25	—2	£298.5
Nickel			
Free Mkt	209/229c	—7	226/246c
Palladium oz	$103.50	+0.25	$98.50
Platinum oz	$314.15	+1.9	$278.75
Quicksilver†	$290/300		$290/300
Silver troy oz	441.55p	—1.35	452.75p
3 months	453.80p	—1.25	464.95p
Tin cash	£9085.5	—1.5	£9235.5
3 months	£9051.5		£9210.0
Tungsten	$67.32		$71/85
Wolfram 22.0lb	$65/70		$64.70
Zinc	£514.5	—3	£539.5
3 months	£521.5	—1.25	£543.5
Producers	$780/880		$850

OILS	Sept. 5 1985	+ or —	Month ago
Coconut (Phil)	$430z	—5	$515
Palm Malayan	$370y	—10	$427.5
SEEDS			
Copra Phil	$295y	......	$340
Soyabean (U.S.)	$215.75	+3.25	$220.5
GRAINS			
Barley Fut. Nov.	£104.25	—0.45	£102.10
Maize	£138.00		£134.00
Wheat Fut. Nov.	£104.35	—0.20	£101.60
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Dec.	£1782.5	+22	£1733.5
Coffee Ft. Nov.	£1638.5	—6.5	£1718
Cotton A Index	55.20c	—0.5	57.55c
Gas Oil Oct.	$245.75	—2.25	$229.25
Rubber (kilo)	61.25p		53.5p
Sugar (raw)	$135z		$117.5
Wooltops 64s	424p kilo		433 pkilo

‡ Unquoted. z Sept-Oct. y Oct. † Per 76-lb flask. c Cents per pound.

ALUMINIUM

Official closing (am): Cash 727-.5 (730-.5): three months 750-.5 (762-.5); settlement 727.5 (730.5). Final Kerb Close: 757-.5. Turnover: 13,850 tonnes.

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	731.5-2.5	—	—
3 months	754.5-5	+0.5	755.5/748

COPPER

Higher grade	Unoffic'l close	+ or —	High/low
Cash	1014.5-5.5	+1.0	1007./1006
3 months	1039.5-40	+1.0	1041/1033.5

Official closing (am): Cash 1007-.5 (1005.5-6); three months 1033-4 (1032.5-3); settlement 1007.5 (1006). Final Kerb Close: 1041-.5.

Cathodes			
Cash	989 91	—	—
3 months	1017-5	+1.25	—

Official closing (am): Cash 983-5 (982-.5); three months 1011-2 (1009-11); settlement 985 (982.5). Turnover: 24,125 tonnes. U.S. Producer prices 66.0-69.00 cents per pound.

LEAD

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	297-.25	—2.64	296/297
3 months	298-.5	—2.0	299.5/297.5

Official closing (am): Cash 297.5-8 (299-.5); three months 298-.5 (300-.5); settlement 298 (299.5). Final Kerb close: 298-9. Turnover: 5,250 tonnes. U.S. Spot: 19.00-20.00 cents per pound.

NICKEL

	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	3405-15	—32.5	3351/3351
3 months	3458-60	—35.0	3460/3406

Official closing (am): Cash 3352-5 (3430-40); three months 3395-400 (3490-2); settlement 3355 (3440). Final Kerb Close: 3460-5. Turnover: 1,824 tonnes.

ZINC

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low
Cash	514.5-3.0	—3.0	—
3 months	521-2	—1.25	525/517

Official closing (am): Cash 512.5-3.5 (508-10); three months 517.5-8 (514-6); settlement 513.5 (510). Turnover: 6,575 tonnes: U.S. Prime Western: 41.00-41.75 cents per pound.

TIN

High grade	Unofficial close(p.m.) £ per tonne	+ or —	High/low for day
Cash	9086-8	—1.0	9089/9088
3 months	9054-6	+1.0	—

TIN HIGH GRADE

Official closing (am): Cash 9087-9 (9085-6): three months 9053-5 (9051-2): settlement 9089 (9086).

Standard			
Cash	9086-7	—1.5	9087/9086
3 months	9051-2	—	9055/9055

Official closing (am): Cash 9086-7 (9085-6): three months 9501-2 (9050-1): setlement 9087 (9086). Final Kerb Close: 9050. Turnover: 730 tonnes. Straits tin SM—— (30.43) kilo.

GOLD

Gold rose $1 an ounce from Wednesday's close in the London *bullion market yesterday to finish at* $325½-326. The metal opened at $326¼-326¾ and showed little change during the day, reflecting a steadier dollar and a return to work by South African mineworkers.

GOLD BULLION (fine ounce) Sept. 5

Close	$325½-326	(£237¼-237¾)
Opening	$326¼-326¾	(£237¼-237¾)
M'n'g fix	$326.00	(£237.005)
Aft'n'n fix	$326.75	(£236.961)

GOLD AND PLATINUM COINS

Kr'g'r'nd	$333 333½	(£243-243¼)
½ Krug.	$172¼-173¼	(£126 126¼)
¼ Krug.	$88-88½	(£64¼-64½)
1/10 Krug.	$36 36½	(£26¼-26½)
Mapleleaf	$335½-336	(£244¾-245)
New Sov.	$77-77½	(£56¼-56½)
½New Sov	$46½ 47¼	(£34-34½)
Old Sov.	$79-79¾	(£57½-58¼)
$20 Eagle	$460-500	(£335½-364¾)
Noble Plat	$322-326	(£235-238)

SILVER

Silver was fixed 1.3p an ounce lower for spot delivery in the London bullion market yesterday at 441.55p. U.S. cent equivalents of the fixing levels were: spot 608c, down 1.8c; *three-month 619.9c, down 1.8c;* six-month 631.9c, down 2.45c; and 12-month 666c, up 3.5c.

SILVER per troy	Bullion Fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	441.55p	—1.35	440.75p	+1
3 months	453.80p	—1.25	453p	+0.75
6 months	465.15p	—1.65	—	—
12 months	489.65p	—1.40	—	—

LME—Turnover: 35 (11) lots of 10,000 oz.

Three months high 454, low 453, final kerb 452.5-4.5.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 226 tonnes. Mixed operations indicated some freer involvement among spinners. Activity centred on Russian and Spanish growths.

COCOA

Futures remained steady, closing £20 higher in active trade. Manufacturer interest was evident but origins remain reluctant sellers at the current levels. Renewed commission house buying was noticeable towards the close, reports Gill and Duffus.

Sales: 7,203 (3,902) *lots of 10* tonnes.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
Sept.	1746-1748	+17.5	17-521751
Dec.	1782-1783	+22.0	17-801766
Mar.	1800-1802	+21.5	1908-1780
May	1817-1820	+24.5	1825-1798
July	1826-1830	+24.5	1828-1818
Sept.	1836-1845	+21.0	1838-1828
Dec.	1832-1848	+17.5	1834-1858

ICCO indicator prices (U.S. cents per pound). Daily price for September 4: 105.71 *(104.44); five-day average for* 105.13 (105.47).

COFFEE

A late retracement in New York and steadier sterling produced opening *losses of £10-£17, reports Drexel Burn*ham Lambert. Prices moved slightly lower before a decline in sterling and a rally in New York lifted prices.

COFFEE	Yesterdy's Close	+ or —	Business Done
Sept.	1599-1601	—6.0	1605-1588
Nov.	1638-1639	—6.5	1645-1623
Jan.	1672 1674	—5.0	1677-1658
March	1705-1710	—	1707-1698
May	1735-1740	+1.0	1740-1725
July	1750-1770	—10.0	1770-1765
Sept	1760-1800	—7.5	—

Sales: 1,952 (2,018) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for September 4: Comp. daily 1979 (118.64 (119.43): 15-day average 120.83 (120.66).

GRAINS

Business done—Wheat: Sept 103.15-2.90, Nov 104.50-4.10, Jan 108.10-7.90, Mar 111.05-10.85, May 114.45-4.15, July 116.95 only. Sales: 304 lots of 100 tonnes. Barley: Sept untraded, Nov 104.45-4.20, Jan 108.90-7.70, Mar 110.80 only. May untraded. Sales: 269 lots of 100 tonnes.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	103.10	—0.25	101.95	—0.15
Nov.	104.35	—0.20	104.25	—0.45
Jan	107.90	—0.40	107.70	—0.50
Mar.	110 90	—0.35	110.70	—0.50
May	114.25	—0.40	113.50	—0.50
July	117.00	—0.35	—	—

LONDON GRAINS—Wheat: U.S. dark *northern spring no 1 15 per cent* Oct 124.75, Nov 126.45, Dec 128.45 transhipment east coast. U.S. no 2 soft red winter Sept 105.50, Oct 108.00, Nov 109.50, Dec 110.75. EC Sept 115.00. English feed fob Sept 103, Jan/Mar 112.50 paid east coast, Sept 103.00 bid, Oct/Dec 106.00-107.00, Jan/Mar 113.00 seller, April/June 117.50, Jan/June 115 seller, Maize: U.S. no 3 *yellow/French transhipment east coast* Sept 138, Oct 129. Barley: English feed fob first-half Sept 101.50, Sept 102, Oct 105, Oct/Dec 108, Dec 109, *Jan/Mar* 112-113.25, *April/June* 117.25-118.00 sellers. Rest unquoted.

HGCA—Locational ex-farm spot prices. Feed barley: S. East 95.90, S. West 96.20, W. Mids 94.80, N. East 93.70. The UK monetary coefficient for the week beginning Monday September 9 will remain unchanged.

The markets saw profit-taking after the recent sharp gains but support was evident at 25p down as intervention offers increased. Quality problems remain a main feature as nearbys gain on forwards, reports Muirpace.

INDICES

FINANCIAL TIMES

Sept.4	Sept. 3	M'th ago	Year ago
254.04	253.77	256.09	293.08

(Base: July 1 1952 = 100)

REUTERS

Sept. 5	Sept. 4	M'th ago	Year ago
1713.7	1708.9	1694.7	1874.9

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	Sept. 4	Sept. 3	Month ago	Year ago
Spot	112.42	112.41	—	128.31
Fut.	113.33	113.17	—	127.67

(Base: December 31 1974 = 100)

OIL

News of a possible agreement between Saudi Arabia and the Aramco companies establishing a new price formula, probably involving substantial volumes of crude, and of the imminent commencement of shipments of Iraqi Basrah Light crude out of Yanbu put downward pressure on the market. *Brent for the forward months fell 40c* in thin trading and Dubai was offered at 20c lower. Nymex opened 11c down for October and traded at 19c down by 1.30 pm EDT. In the petroleum products market prices drifted downwards in thin trade encouraged by lower U.S. demand—Petroleum Argus, London.

SPOT PRICES

CRUDE OIL—FOB ($ per barrel)—Sept.	Latest	Change + or —
Arab Light	27.60-27.70*	—0.15
Arab Heavy	26.55-26.60*	—
Dubai	26.60-26.65*	—0.20
Brent Blend	27.80-28.00	—
W.T.I. (1pm est)	28.08-28.10*	—0.20
Forcados (Nigeria)	28.10-28.25	—0.025
Urals (cif NWE)	26.90-27.00	—0.15

PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	266-268	—1
Gas Oil	253-255	—2
Heavy fuel oil	138-139	—
Naphtha	252-254	—1

* October.

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Sep	254.50	—1.75	254.50-53.75
Oct.	245.75	—2.25	248.50-46.50
Nov	245.50	—2.50	245.00-45.50
Dec.	241.75	—2.25	245.00-41.50
Jan.	239.00	—3.50	242.00-39.00
Feb.	236.50	—4.50	236.50

Turnover: 1,436 (2,366) lots of 100 tonnes.

RUBBER

PHYSICALS—The London market *opened unchanged, attracted little* interest throughout the day and closed on a quiet note, reports Lewis and Peat. Closing prices (buyers): spot 61.25p (same); October 57.00p (same); November 57.00p (same). The Kuala Lumpur fob price for RSS No 1 was —— (180.75) cents a kg and fob SMR 20 was —— (144.5).

PIGMEAT

Despite a lower opening prices strengthened again with relatively good volume. Physical prices were firmer, continuing the recent stronger trend, due to the shortage of light pigs, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Oct.	113.00	112.90	113.1-112.5
Nov.	114.00	114.00	114.5-113.5
Feb.	101.90	101.90	101.9-101.9
April	102.80	102.70	102.9-102.8
June	102.00	102 00	102.0-101.9
Aug.	100.00	100.50	100.00

Sales: 109 (36) lots of 50 carcases, 3,250 kg.

POTATOES

The market opened lower despite *Wednesday's firm close and trading* remained in a limited range with most trade in April between £83 and £83.50. The trend is uncertain with better *weather prospects countering fears on* quality, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	60.10	60.80	59.80-59.50
Feb.	70.30	70.50	71.00-70.50
Apr.	83.20	84.90	84.10 82.40
May	88.80	90.50	89.80-88.30

Sales: 569 (280) lots of 40 tonnes.

FREIGHT FUTURES

The market experienced thin trading conditions, opening on a weak note. Despite a weak physical market short-covering provided support and the market closed just off the highs, reports Clarkson Wolff. The Baltic Freight Index was 737, down 2.5.

	Close	High/Low	Prev
Oct.	810/815	815/803	807/809
Jan.	850/869	866/856	859/868
April	915/925	—	915/925
July	850/860	—	820/880
Oct.	940/960	—	955/1000
Jan.	980/1030	—	980/1020
April	950/1040	—	950/1040
July	930/1000	—	950/1000

Turnover: 77 (67).

SOYABEAN MEAL

The market opened £1.50 higher on commercial buying, reports T. G. Roddick. Prices continued to rally on strong cash markets due to weaker sterling.

	Yesterday close £ per tonne	+ or —	Business Done
October	118.8-119.2	+2.35	119.0-117.8
Dec.	121.4-121.5	+2.30	121.5-120.5
Feb.	124.7-125.0	+2.50	124.0
Apr.	125.4-125.6	+2.20	125.8-125.8
June.	125.2-125.8	+1.95	125.5
August	125.5-128.8	+2.35	—
October	126.8-128.8	+2.25	—

Sales: 202 (3,603) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $135.00 (£98.00), unchanged (down 50p) a tonne for September-October delivery. White sugar $175.00, down $1.50.

Prices were confined within a $4 *trading range in quiet conditions*, reports C. Czarnikow.

No. 6 Contract	Yest'day's close $ per tonne	Previous close	Business done
Oct	137.8-138.0	141.8-141.8	140.8-137.8
Dec.	141.8-142	145.4-145.8	142.8-140.8
Mar.	148.0-148.4	151.6-151.8	150.8-147.6
May	152.2-152.6	154.4-154.8	153.4-151.0
Aug.	157.2-158	159.2-160.2	158.4-157.8
Oct	162.0-162.6	162.0-164.8	164.0

Sales: 2,321 (5,547) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £205.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports.) Prices for September 4: Daily price 5.23 (4.95): 15-day average 4.49 (4.44).

U.S. MARKETS

PRECIOUS METALS weakened on renewed selling linked to dollar strength along with fears that the U.S. interest rates could firm due to a rebound in U.S. economic activity, reports Heinold Commodities. Copper and *aluminium lost ground*, reflecting indications of a sharp pick-up in car sales in *late August*. Sugar closed modestly higher on indications of good cash demand, particularly from the Far East. A lack of fresh news and light cash activity kept coffee values in a tight range. Cocoa benefitted from reports of delays to Nigerian shipments and pod rot in the Ivory Coast. Cotton steadied as traders began winding up positions ahead of the crop report on September *11*. Profit-taking ahead of the trade stock figures, which were delayed, and uncertainty over the Saudi Arabian sales policy pressured the energy complex. The grain complex firmed in good commercial buying linked to a pick-up in export inquiry and rumoured Russian interest in maize. Good European interest encouraged a firm tone in soyabeans.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Sept	44.15	44.20	44.10	44.10
Oct	44.50	—	—	44.45
Nov	44.85	—	—	44.75
Dec	45.25	45.25	45.15	45.25
Jan	45.60	45.65	45.60	45.65
March	46.30	46.35	46.25	46.30
May	47.00	—	—	47.00
July	47.70	—	—	47.70
Sept	48.40	—	—	48.40
Jan	49.80	—	—	49.80

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2183	2187	2163	2155
Dec	2233	2250	2228	2228
March	2280	2292	2277	2270
May	2299	2305	2286	2291
July	2319	2315	2310	2308
Sept	2325	2330	2320	2315
Dec	2343	2350	2350	2335

COFFEE "C" 37,500 lb, cents/lb

	Close	High	Low	Prev
Sept	133.95	134.00	133.60	134.37
Dec	136.75	136.90	136.00	136.60
March	138.00	138.10	137.35	138.10
May	138.73	138.75	138.10	138.75
July	139.25	139.25	139.25	139.27
Sept	139.75	139.90	139.90	139.88
Dec	139.00	—	—	139.00

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Sept	60.95	61.45	60.50	61.10
Oct	61.20	—	—	61.30
Nov	61.45	—	—	61.45
Dec	61.75	62.20	61.25	61.80
Jan	62.00	—	—	62.05
March	62.45	62.80	61.95	62.50
May	62.80	62.90	62.40	62.95
July	63.15	63.20	63.00	63.25
Sept	63.50	63.50	63.50	63.65
Dec	64.25	64.10	64.10	64.40

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
Oct	58.43	58.56	58.10	58.17
Dec	58.38	58.68	58.21	58.49
March	59.45	59.80	59.45	59.55
May	60.02	60.18	59.94	60.08
July	59.95	60.10	59.88	59.97
Oct	54.97	—	—	55.05
Dec	54.17	54.20	54.10	54.30

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
Oct	28.13	28.22	27.96	28.27
Nov	27.59	27.70	27.46	27.79
Dec	27.18	27.35	27.08	27.45
Jan	26.85	27.11	26.78	27.22
Feb	26.58	26.80	26.55	27.00
March	26.33	26.57	26.35	26.78
April	26.17	26.36	26.10	26.58
May	25.95	26.02	25.95	26.38
June	25.94	25.85	25.85	26.23
July	25.60	25.60	25.60	26.08

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	320.2	321.0	321.0	324.9
Oct	321.9	327.7	321.5	326.7
Nov	324.1	—	—	329.3
Dec	325.3	332.2	325.7	331.1
Feb	330.6	336.6	329.8	336.4
April	334.9	340.5	334.5	339.8
June	339.7	345.0	340.0	344.6
August	344.5	345.0	345.0	349.4
Oct	349.5	355.0	349.5	354.4
Dec	354.5	360.0	360.0	359.4
Feb	359.8	—	—	364.7
April	365.2	—	—	370.1
June	370.9	—	—	375.8

HEATING OIL 42,000 U.S. gallons; cents/U.S. gallons

	Close	High	Low	Prev
Oct	78.90	79.20	78.65	79.07
Nov	78.90	79.50	78.80	79.44
Dec	78.95	79.35	78.70	79.47
Jan	79.00	79.40	78.65	79.45
Feb	77.75	78.15	77.60	78.40
March	74.35	75.25	74.35	75.50
April	72.10	72.60	72.00	73.00

ORANGE JUICE 15,000 lb; cents/lb

	Close	High	Low	Prev
Sept	134.90	134.90	134.50	134.30
Nov	129.95	130.00	129.30	129.30
Jan	125.65	125.75	125.30	125.15
March	123.95	124.00	123.95	123.85
May	122.65	—	—	122.65
July	122.65	—	—	122.65

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Sept	310.8	—	—	314.4
Oct	311.4	317.5	309.0	314.9
Jan	312.9	319.0	310.0	316.1
April	315.7	322.5	313.0	318.9
July	318.7	325.0	318.0	321.9
Oct	321.7	330.0	321.0	324.9

SILVER 5,000 troy oz; cents/troy oz

	Close	High	Low	Prev
Sept	605.9	608.0	598.0	605.2
Oct	608.7	605.0	605.0	608.7
Nov	612.7	—	—	613.7
Dec	617.0	619.0	610.0	617.0
Jan	621.4	622.0	622.0	621.5
March	629.8	632.0	623.0	630.0
May	638.6	641.0	635.0	639.0
July	648.2	650.0	642.0	648.0
Sept	658.0	658.0	653.5	658.3
Dec	673.0	676.0	667.0	674.0

SUGAR WORLD "11" 112,000 lb: cents/lb

	Close	High	Low	Prev
Oct	5.29	5.37	5.16	5.22
Jan	5.43	5.42	5.28	5.30
March	5.70	5.78	5.58	5.70
May	5.84	5.82	5.75	5.82
July	6.05	6.10	5.95	6.13
Oct	6.45	6.40	6.24	6.44
Jan	6.25	—	—	6.36

CHICAGO

LIVE CATTLE 40,000 lb; cents/lb

	Close	High	Low	Prev
Oct	54.10	54.90	54.05	54.47
Dec	56.62	57.40	56.50	56.87
Feb	56.20	57.00	56.10	56.42
April	57.05	57.85	57.00	57.32
June	58.20	58.65	58.00	58.30
August	57.00	57.70	57.00	57.20

LIVE HOGGS 30,000 lb; cents/lb

	Close	High	Low	Prev
Oct	35.90	35.97	35.50	35.70
Dec	37.80	38.40	37.65	38.15
Feb	39.57	40.25	39.40	39.85
April	36.92	37.35	36.80	37.20
June	40.65	41.30	40.55	41.02
July	41.10	41.60	41.00	41.27
August	40.82	41.40	40.82	40.87
Oct	38.25	38.25	38.25	38.25
Dec	38.50	38.50	38.50	38.45

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	High	Low	Prev
Sept	230.4	230.8	225.4	226.2
Dec	221.0	221.2	216.2	217.0
March	230.6	231.0	226.0	227.0
May	237.4	237.4	232.6	234.2
July	240.6	240.6	236.2	237.4
Sept	232.2	232.4	227.6	228.2
Dec	229.4	230.0	224.4	225.4

PORK BELLIES 38,000 lb; cents/lb

	Close	High	Low	Prev
Feb	57.92	58.37	57.42	57.82
March	57.90	58.35	57.50	57.75
May	59.20	59.60	58.70	59.12
July	59.10	60.00	58.90	59.10
August	57.20	58.15	57.20	57.15

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	520.4	521.4	512.4	516.0
Nov	516.2	519.4	508.0	512.4
Jan	526.2	529.0	517.6	522.4
March	537.2	539.0	528.4	533.2
May	546.2	547.4	538.2	542.6
July	552.2	554.0	543.4	548.0
August	551.0	553.4	544.0	547.0
Sept	546.4	547.0	545.4	545.0
Nov	547.0	548.0	541.0	546.0

SOYABEAN MEAL 100 tons; $/ton

	Close	High	Low	Prev
Sept	127.0	127.8	124.2	125.6
Oct	128.7	129.2	125.5	126.7
Dec	132.6	133.0	128.8	130.0
Jan	134.4	135.0	131.0	131.7
March	138.5	138.5	134.5	135.1
May	140.5	140.5	137.9	137.0
July	142.4	142.5	139.5	140.0
August	143.5	143.5	140.0	141.2
Sept	144.0	144.0	140.0	138.5

SOYABEAN OIL 60,000 lb; cents/lb

	Close	High	Low	Prev
Sept	22.31	22.60	22.22	22.57
Oct	22.02	22.25	21.92	22.20
Dec	21.71	21.96	21.62	21.93
Jan	21.85	22.05	21.75	22.08
March	22.13	22.30	22.05	22.35
May	22.45	22.55	22.35	22.55
July	22.58	22.70	22.55	22.65
August	22.65	22.70	22.65	22.68
Sept	22.62	22.60	22.62	22.69
Oct	22.65	—	—	22.68

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	High	Low	Prev
Sept	279.0	281.6	274.6	277.0
Dec	292.0	294.4	287.0	288.2
March	299.4	301.4	294.2	295.6
May	296.0	299.0	292.0	292.0
July	279.0	279.0	270.4	271.0
Sept	279.0	280.0	277.0	273.4

SPOT PRICES—Chicago loose lard 16.50 (same) cents per pound. New York tin 572.0-76.0 (574.0-77.0) cents per pound. Handy and Harman silver bullion 604.0 (603.5) cents per troy ounce.

OTHER MARKETS

MEAT

SMITHFIELD—Pence per pound. Beef—Scotch killed sides 76.0-82.0: English forequarters 55.5-59.5; Ulster hindquarters 83.5-87.5. Veal—Dutch hinds and ends 137.0-142.0. Lamb—English small 65.0-72.0, medium 62.0-68.0, heavy 60.0-62.0: Scotch medium 62.0-65.0, heavy 60.0-63.0; Imported: New Zealand PL 60.0-61.0, PX 60.0-61.0. *Pork—English under 100 lb* 46.0-57.5, 100-120 lb 52.0-56.0, 120-160 lb 44.0-53.0.

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 94.63p per kg lw (−1.76). GB—Sheep 142.02p per kg est dcw (−5.83). GB—Pigs 83.10p per kg lw (+4.23).

PARIS

SUGAR—(FFr per tonne): Oct 1495/1500, Dec 1485/1495, Mar 1506/1509, May 1535/1549, Aug 1575/1595, Oct 1635/1649.

COCOA—(FFr per 100 kg): Sept 2115/2125, Dec 2110/2115, Mar 2125/2137, May 2135 bid, July 2040 bid, Sept 2045 bid, Dec 2045 bid.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. Oct 606.0, 610.0; Dec 610.0, 612.0; Mar 615.0, 619.0; May 626.0, 632.0; July 630.0, 638.0; Oct 618.0, 635.0; Dec 624.0, 640.0; Mar 635.0, 645.0. Sales: 0.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two red winter spot 130, Sept 127, Oct 130.50, Nov 132. U.S. northern spring 14 per cent protein Sept 153.50, Oct 154.50, Nov 156.50, Dec 159.75. U.S. northern spring 15 per cent protein Oct 159.50, Nov 172. U.S. three hard amber durum Sept 165, Oct 166, Nov 167.50, Nov 15/Dec 170, April/May 170, June 170. Canadian western red spring 13.5 per cent Sept 160, Sept 20/Oct 10 163, Oct 165, Nov 167.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar better after early fall

The dollar rose yesterday as the currency market awaited U.S. money supply figures, due for release after the London close. Expectations of a further rise in M1 pushed the U.S. unit firmer towards the close in contrast to earlier trading which had seen the dollar lose ground.

Concern about financial difficulties in the Federal farm credit system, together with some signs of a slowdown in U.S. economic growth, tended to push the dollar lower in early trading. However anticipation of further growth in U.S. money supply prompted a reversal of the earlier trend.

The dollar closed at DM 2.8600 from DM 2.8475, having touched a low of DM 2.8340. Elsewhere it finished at SwFr 2.3560 from SwFr 2.3455 and Y239.90 compared with Y239.55. Against the French franc it closed at FFr 8.7325 from FFr 8.7025. On Bank of England figures, the dollar's exchange rate index fell to 139.0 from 139.1.

The South African rand was reasonably steady, with the commercial unit trading above 40 U.S. cents for most of the day in Johannesburg. It closed at around 40 cents in London, compared with 39¾ cents previously. In Johannesburg it had earlier finished at 39.60 cents, after opening at 40.45 cents. The financial rand was also steady, opening and closing at 38 cents in South Africa, against 37 cents.

STERLING — Trading range against the dollar in 1985 is 1.4920 to 1.0525. August average 1.3838. Exchange rate index 82.0, unchanged from Wednesday and compared with 70.8 six months ago.

Sterling remained on the sidelines, content to reciprocate dollar movements while retaining a firm base built upon the high level of UK interest rates. The pound finished at $1.3645-$1.3655, a fall of 90 points from Wednesday. It was also weaker yesterday against DM 2.8465 on Wednesday as the market awaited further U.S. economic data. Earlier in the day the dollar had been fixed at DM 2.8395 from DM 2.8441 with no intervention by the Bundesbank.

against the D-mark at DM 3.9075 from DM 3.9175 and SwFr 3.2100 compared with SwFr 3.2125. Against the yen it slipped to Y327.5 from Y329 and FFr 11.92 from FFr 11.9475.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.7425. August average 2.7936. Exchange rate index 125.4 against 117.7.

The dollar closed at DM 2.85 against the D-mark in Frankfurt

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu September 5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.8320	45.0631	+0.52	+0.74	±1.5425
Danish Krone	8.12857	8.09113	−0.46	−0.24	±1.6421
German D-mark	2.23840	2.23002	−0.37	−0.15	±1.1455
French Franc	6.86402	6.80927	−0.80	−0.58	±1.3654
Dutch Guilder	2.52208	2.50843	−0.54	−0.32	±1.5162
Irish Punt	0.724578	0.716539	−1.11	−0.89	±1.6673
Italian Lira	1520.60	1490.27	−1.98	−1.99	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING INDEX

	Sept 5	Previous
8.30 am	82.0	81.9
9.00 am	82.1	81.9
10.00 am	82.1	82.1
11.00 am	82.1	82.1
Noon	82.1	82.1
1.00 pm	82.1	82.2
2.00 pm	82.0	82.2
3.00 pm	82.1	82.2
4.00 pm	82.0	82.0

£ IN NEW YORK

	Sept. 5	Prev. close
£ Spot	$1.3857-1.3867	$1.3885-1.3705
1 month	0.44-0.42pm	0.43-0.42 pm
3 month	1.15-1.11pm	1.12-1.02 pm
12 months	3.00-2.90pm	2.90-2.80 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

[illegible]
[illegible]

DOLLAR SPOT—FORWARD AGAINST DOLLAR

[illegible]
[illegible]

OTHER CURRENCIES

[illegible]
[illegible]

CURRENCY MOVEMENTS

[illegible]
[illegible]

CURRENCY RATES

[illegible]
[illegible]

EXCHANGE CROSS RATES

[illegible]
[illegible]

EURO-CURRENCY INTEREST RATES (Market closing rates)

Sept. 5	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
7 days' notice	11⅝-11¾	7⅞-8	8¼-8½	5¾-5⅞	2-2¼	4⅜-4½	9⅝-9¾	11¼-12¾	8⅝-9⅛	8½-8¾	6⅛-6⅜	8½-9
Month	11 11/16-11 13/16	7 13/16-8 1/16	8 1/16-8 3/16	5¾-5⅞	4 1/16-4 3/16	4½-4⅝	9¾-9⅞	11⅛-12⅛	9⅛-9⅜	9-9⅛	6⅛-6¼	8⅝-9⅛
Three months	11⅝-11 11/16	8 1/16-8 3/16	8 9/16-8 11/16	5⅝-5⅞	4⅜-4⅝	4½-4⅝	10 1/16-10 3/16	12¼-13	9⅛-9⅜	9⅜-9⅛	6⅜-6 7/16	8¾-9¼
Six months	11¼-11⅜	8 3/16-8 5/16	9 1/16-9 3/16	5¾-5⅞	4¾-4⅞	4⅝-4¾	11¼-11⅝	12¾-13½	9⅝-9⅞	9⅝-9¾	6 5/16-6⅜	8¾-9¼
One year	11 1/16-11 3/16	8⅝-8¾	9⅝-9⅞	5¾-5⅞	4 11/16-4 13/16	4 11/16-4 13/16	11⅝-11⅞	13½-14⅛	10-10¼	9¾-9⅞	6 5/16-6⅜	9-9½

Asian $ (closing rates in Singapore): Short-term 7⅞-8 per cent; seven days 7 13/16-8 1/16 per cent; one month 8-8⅛ per cent; three months 8⅛-8¼ per cent; six months 8¼-8⅜ per cent; one year 8 5/16-8 7/16 per cent. Long-term Eurodollars: two years 9⅜-9⅝ per cent; three years 9⅞-10⅛ per cent; four years 10⅛-10⅜ per cent; five years 10⅜-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen: others two days' notice.

MONEY MARKETS

Full shortage fails to appear

UK clearing banks base lending rate 11½ per cent since July 30

A slight mystery surrounded the London money market yesterday, as for the second day running the full underlying shortage, forecast by the Bank of England, failed to come to the surface.

On both days the authorities appeared to leave the market short by about £100m after the day's assistance. After the discount houses squared their books the interbank overnight rate remained quite steady, closing slightly above the day's low at 11½ per cent. Money was offered for most of the day at around 12 per cent, and at no time was there any sign of strain on the system.

Three-month interbank moved within a very narrow range, finishing at 11 9/16-11 11/16 per cent, compared with 11½-11⅝ per cent on Wednesday, and discount houses buying rates for three-month eligible bank bills were unchanged at 11 5/32 per cent.

The Bank of England forecast a market shortage of £550m, but provided total help of only £409m.

Before lunch the authorities gave assistance of £195m, purchasing £175m bank bills in band 2 (15-33 days maturity) at 11 7/16 per cent, and £20m bank bills in band 3 (34-63 days) at 11⅜ per cent.

In the afternoon another £184m bills were bought, by way of £53m Treasury bills in band 1 (up to 14 days) at 11⅜ per cent; £109m bank bills in band 2 at 11 7/16 per cent; £17m bank bills in band 3 at 11⅜ per cent; and £5m bank bills in band 4 (64-91 days) at 11 5/16 per cent.

The Bank of England also provided late assistance of around £30m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £572m, with a rise in the note circulation absorbing £5m, and bank balances below target another £70m. These outweighed Exchequer transactions adding £95m to liquidity.

In Frankfurt call money eased to 4.625 per cent from 4.65 per cent in quiet money market trading. Conditions are expected to remain fairly comfortable, and banks are holding relatively high minimum reserves at the Bundesbank. On Tuesday the commercial banks had holdings of DM 51.3bn, compared with an average daily requirement of less than DM 50bn.

MONEY RATES

Sept. 5	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	4.5-4.65	9⅞	1⅝-1⅞	5¾-5 15/16	6.53125	14⅛-14½	9.10	11¼-11½
One Month	4.60-4.75	9⅝-9¾	4 5/16-4 7/16	5¾-5⅞	6.46875	13¾-14⅛	9-9¼	10⅝-10⅞
Two Months	4.60-4.75	9⅝-9¾	—	—	—	—	—	10¼-10⅝
Three Months	4.60-4.75	9¾-9⅞	4 5/16-4 7/16	5 11/16-5 13/16	6.34375	13⅞-14¼	9⅝-9⅝	10⅜-10⅝
Six Months	4.60-4.75	9¾-9⅞	—	5¾-5⅞	—	—	9⅝-9⅞	10¼-10½
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	9⅝	—	—	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

Sept. 5 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	11-12½	11⅛	11⅛-11¾	10-12	—	—	—	—	—
2 days notice	—	—	11⅜-11¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11½-11⅞	11⅛	11⅞-12	11⅝-11⅛	—	—	—	—	—
One month	11 13/16-11 11/16	11 11/16-11 13/16	11⅝	11⅞	11½	11⅜	11 5/16	11 13/16-11 11/16	11 9/16-11 15/32	12 3/32
Two months	11 11/16-11 9/16	11 9/16-11¾	11 9/16	11⅞	11¼	11¼	11 3/32	11¼	11⅛-11 1/32	11⅞
Three months	11½-11⅜	11½-11 11/16	11⅛	11¾	11	11 1/16	10 31/32	11 5/32	11 1/16	11⅝
Six months	11 1/16-10 15/16	11¼-11⅜	11¼	—	—	—	—	10⅛-10 31/32	10 9/16-10 15/32	11 5/16
Nine months	10⅞-10 13/16	11⅛-11 3/16	11⅛	—	—	—	—	—	—	—
One year	10 13/16-10¾	11 1/16-11 3/16	11	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12⅛-11⅞	—	11 11/16	7.8-7.9	7⅝-7⅞	8⅛-8¼
Two months	12-11¾	—	11⅝	7.8-7.9	7 11/16-7 13/16	8 3/16-8 5/16
Three months	11⅞-11⅝	—	11⅝	7.85-7.95	7 11/16-7 13/16	8⅜-8⅝
Six months	11⅝-11⅜	—	11¼	8.0-8.1	7⅞-8⅛	8 11/16-8 13/16
Nine months	11⅜-11⅛	—	11 3/16	8.2-8.3	—	—
One year	11¼-11	—	11 3/16	8.4-8.5	8⅛-8⅜	8 13/16-8 15/16
Two years	—	10⅞	—	—	—	—
Three years	—	10⅞	—	—	—	—
Four years	—	10⅞	—	—	—	—
Five years	—	10⅞	—	—	—	—

ECGD Fixed Finance (V: Average rate of interest period August 7 to September 3 (inclusive): 11.574 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 12 per cent from September 1 1985. London and Scottish Clearing Bank Rates for lending 11½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.625 per cent (net). Treasury Bills: Average tender rate of discount 11.0009 per cent. Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11¾ per cent; one-three months 11½ per cent; three-six months 11¼ per cent; six-nine months 11¼ per cent; nine-12 months 11 per cent. Under £100,000 10½ per cent from August 9. Deposits held under Series 5 11 per cent. The rate for all deposits withdrawn for cash 7½ per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept. 5)

3 months U.S. dollars	
bid 8 1/16	offer 8 5/16

6 months U.S. dollars	
bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	9½
Broker loan rate	9
Fed funds	7¾
Fed funds at intervention	—

Treasury Bills

One month	6.85
Two month	6.99
Three month	7.32
Six month	7.65
One year	8.04

Treasury Bonds

Two year	9.91
Three year	9.30
Four year	9.58
Five year	9.77
Seven year	10.14
10 year	10.25
30 year	10.49

FINANCIAL FUTURES

Prices fall

Prices were generally weaker on the London International Financial Futures Exchange yesterday, without any major news to move the market. The announcement from the U.S. Federal Farm Credit Board, confirming that the farm credit system needs assistance from the Government, was already discounted in the market and had no impact. Dealers said figures on U.S. auto sales and weekly M1 money supply were expected to be up, and overhung the market, contributing to the general drift down in prices of dollar denominated contracts. December Eurodollars opened in London at 91.62, and touched a high of 91.66 after Chicago began trading. Selling then pushed the contract down to a low of 91.57, and it closed at 91.58, compared with 91.62 on Wednesday.

U.S. Treasury bonds for December opened steady at 76-21, and rose to an early high of 76-24, before drifting off to 76-18 before Chicago started, and closing just above the day's low at 76-13.

Gilts began strongly, boosted by stockjobber buying, but after a peak of 112-09 for December, selling by another jobber depressed the price to finish at 112-05, against 112-04 previously.

December short sterling deposits moved in line with the pound on the foreign exchanges, weakening to close at the day's low.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	91.86	91.89	91.86	91.86
Dec	91.58	91.66	91.57	91.62
March	91.22	91.29	91.24	91.24
June	90.84	90.92	90.84	90.87
Sept	90.48	90.56	90.50	90.51
Dec	90.14	—	—	90.17

Estimated volume 4,697 (5,770)
Previous day's open int 19,221 (19,656)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.36	88.39	88.33	88.37
Dec	89.27	89.36	89.27	89.34
March	89.59	89.65	89.59	89.63
June	89.52	89.53	89.52	89.54
Sept	89.54	89.55	89.52	89.58
Dec	89.53	89.55	89.55	89.57

Estimated volume 1,063 (1,408)
Previous day's open int 7,101 (7,151)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
Sept	112-00	112-03	112-01	111-30
Dec	112-05	112-09	112-02	112-04
March	112-21	—	—	112-20

Estimated volume 1,555 (2,937)
Previous day's open int 3,837 (3,103)
Basis quote (clean cash price of 13¼% Treasury 2004-08 less equivalent price of near futures contract) −8 to +2 (32nds).

STERLING £25,000 $ per £

	Close	High	Low	Prev
Sept	1.3710	1.3770	1.3702	1.3705
Dec	1.3590	1.3650	1.3586	1.3590
March	1.3515	1.3533	1.3533	1.3520

Estimated volume 63 (911)
Previous day's open int 3,255 (3,611)

DEUTSCHE MARKS
DM 125,000 $ per DM

	Close	High	Low	Prev
Sept	0.3509	0.3525	0.3518	0.3509
Dec	0.3542	0.3561	0.3537	0.3543

Estimated volume 74 (172)
Previous day's open int 285 (258)

SWISS FRANCS
SwFr 125,000 $ per SwFr

	Close	High	Low	Prev
Sept	0.4267	0.4272	0.4270	0.4262
Dec	0.4298	0.4311	0.4295	0.4304

Estimated volume 81 (60)
Previous day's open int 206 (206)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4171	—	—	0.4172
Dec	0.4192	0.4200	0.4189	0.4193
March	0.4214	—	—	0.4216

Estimated volume 35 (35)
Previous day's open int 168 (172)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
Sept	132.00	122.60	131.60	132.36
Dec	132.70	133.15	132.15	133.06

Estimated volume 346 (326)
Previous day's open int 1,649 (1,666)

CHICAGO

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	77-16	77-23	77-15	77-22
Dec	76-13	76-24	76-12	76-21
March	75-13	—	—	75-21

Estimated volume 1,800 (3,950)
Previous day's open int 2,038 (1,673)

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	77-18	77-21	77-16	77-25
Dec	76-15	76-19	76-13	76-23
March	75-15	75-18	75-13	75-22
June	—	74-20	74-16	74-24
Sept	73-20	73-23	73-20	73-28
Dec	72-27	72-29	72-26	73-02
March	—	—	—	72-11
June	—	—	—	71-21
Sept	—	—	—	—
Dec	—	—	—	70-15
March	—	—	—	69-30

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	93.03	93.07	93.01	93.06
Dec	92.76	92.82	92.75	92.79
March	92.43	92.49	92.43	92.47
June	92.10	92.16	92.10	92.14
Sept	91.78	—	91.78	91.82
Dec	91.50	—	91.50	91.54
March	91.25	—	91.25	91.28
June	91.00	—	91.00	91.02

CERT DEPOSIT (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	92.22	92.23	92.21	92.22
Dec	—	91.97	91.93	91.53
March	91.54	91.54	—	91.63
June	91.16	91.16	—	91.15

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev
Sept	91.87	91.90	91.87	91.88
Dec	91.58	91.65	91.58	91.59
March	91.22	91.29	91.22	91.22
June	90.83	90.89	90.83	90.84
Sept	90.47	90.53	90.47	90.49
Dec	90.13	90.18	90.13	90.15
March	89.82	89.85	89.82	89.83
June	89.53	89.57	89.53	89.54

STERLING (IMM) $s per £

	Latest	High	Low	Prev
Sept	1.3705	1.3755	1.3685	1.3695
Dec	1.3585	1.3645	1.3580	1.3590
March	1.3500	1.3550	1.3500	1.3515
June	1.3530	1.3530	—	1.3470
Sept	—	—	—	1.2506

GNMA (CBT)
8% $100,000 32nds of 100%

	Latest	High	Low	Prev
Sept	76-28	76-28	76-28	77-05
Dec	76-04	76-05	76-00	76-13
March	75-11	75-11	75-11	75-20
June	—	—	—	74-30
Sept	—	—	—	74-12

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £
Option volume slow with sterling very much on the sidelines.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
40	220	10737	9061

Eurodollar Future—points of 100%
Thin trading in a very shallow market—volume moderate.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
405	1	1900	1330

For full details of settlement prices call
Louise Powell of LIFFE on 01-623 0444
LIFFE, ROYAL EXCHANGE, LONDON EC3V 3PJ

Company Notices

ANGLOVAAL GROUP

GROUP COMPANIES CLOSING OF TRANSFER BOOKS AND REGISTERS OF MEMBERS

NOTICE IS HEREBY GIVEN that the Transfer Books and Registers of Members of the following Companies (all of which are incorporated in the Republic of South Africa) will be closed for the periods stated for the purpose of determining those persons entitled to attend the Annual General Meetings of Members thereof.

Name of Company	Date of Closing Transfer Books and Registers of Members 1985
ANGLOVAAL LIMITED	16-22 November
CONSOLIDATED MURCHISON LIMITED	25 September- 1 October
EASTERN TRANSVAAL CONSOLIDATED MINES LIMITED	1- 7 October
HARTEBEESTFONTEIN GOLD MINING COMPANY LIMITED	9-15 October
MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED	8-14 October
ZANDPAN GOLD MINING COMPANY LIMITED	9-15 October

By order of the Boards
ANGLO-TRANSVAAL TRUSTEES LIMITED
London Secretaries
per. I. S. FARMER

London Secretaries:
295 Regent Street
London W1R 8ST
6 September 1985

Legal Notices

BETTING, GAMING AND LOTTERIES ACT 1963

I, Anthony Colin Compton of 19c, High St., Tooting, London SW17 0SN, duly authorised in that behalf by Margolis & Ridley Limited trading as Ladbrokes HEREBY GIVE NOTICE that on the 5th day of September 1985 I made application to the Betting Licensing Committee for the Petty Sessional Division of Brentford in the County of Middlesex for the grant of a Betting Office Licence in respect of premises situate at 275 Allenby Rd., Southall, Middlesex. Any person who desires to object to the grant of the said licence should send to the Clerk to the Betting Licensing Committee, Ealing Magistrates' Court, Green Man Lane, Ealing, London, W13, not later than the 20th day of September 1985 two copies of a brief statement in writing of the ground of his objection.

Dated this 5th day of September 1985.
P. COMPTON.

No. 005158 of 1985
IN THE HIGH COURT OF JUSTICE
Chancery Division in the Matter of Business Mortgages Trust Public Limited Company and in the Matter of the Companies Act, 1985,

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice (Chancery Division) dated 14th August 1985, confirming the reduction of capital of the above-named Company from £15,500,000 to £15,375,000 and the Minute approved by the Court showing with respect to the capital of the Company as altered the several particulars required by the above-mentioned Act were registered by the Registrar of Companies on 19th August 1985.

CLIFFORD-TURNER,
Blackfriars House,
19 New Bridge Street,
London EC4V 6BY.
Solicitors for the above-named Company.
Dated this 3rd day of September 1985.

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, September 4, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of September 4 at 11.00 a.m.
3 months: 8¼ 6 months: 8½

ECU=U.S.$.781278 SDR1=U.S.$1.02513
Sibor as of September 4 at 11.00 a.m.
3 months: 8¼ 6 months: 8½

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.3653
Algeria	Dinar	5.01
Andorra	Fr. Franc	8.7185
Andorra	Sp. Peseta	167.95
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
[illegible]	[illegible]	[illegible]
Ghana	Cedi (14)	57.00
Gibraltar	Pound*	1.3715
Greece	Drachma	136.50
Greenland	Dan. Krone	10.3025

COUNTRY	CURRENCY	VALUE OF DOLLAR
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.7185
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
Guatemala	Quetzal (h, l)	3.95
Guinea Bissau	Peso	147.323
Guinea Rep	Syli	24.0802
[illegible]	[illegible]	[illegible]
Oman Sultanate of	Rial	0.3456
Pakistan	Rupee	15.9076
Panama	Balboa	1.00
Papua N.G.	Kina	0.997

COUNTRY	CURRENCY	VALUE OF DOLLAR
Paraguay	Guarani (o.c.)	240.00
Paraguay	Guarani (d)	783.00
Peru	Sol (o) (2)	13942
Philippines	Peso	18.604
Pitcairn Is.	N.Z. Dollar	1.865
Poland	Zloty (o) (3)	153.05
Portugal	Escudo	170.20
[illegible]	[illegible]	[illegible]
Yugoslavia	Dinar	291.87
Zaire Republic	Zaire	50.46
Zambia	Kwacha	2.8163
Zimbabwe	Dollar	1.6598

n.a. Not available. (m) Market rate * U.S. dollars per National Currency unit. (a) Freemarket central bank. (o) Official rate. (b) Freemarket interbank. (c) Commercial rate. (d) Freemarket. (e) Controlled. (f) Financial rate. (g) Preferential rates. (h) Non-essential imports. (l) Floating tourist rate. (1) Venezuela: For debts incurred prior to February 1983. (2) Peru, August 2: Official rate devaluation of approx. 12 per cent. (3) Poland, June 1: Official devaluation of 13.2 per cent. (4) *Equatorial Guinea: December 31, Currency joins Franc zone.* (5) *Jamaica: November 8, Rate adjustment fixed by Central Bank bi-weekly auction.* (6) Botswana, August 4: Pula revalued by 3 per cent against a basket of currencies. (7) Saudi Arabia: June 10, Official devaluation of 1.1 per cent. (8) Argentina: June 15, New currency introduced: 1 Austral equals 1,000 Pesos. (9) Chile: June 29, Official devaluation of 7.8 per cent. (10) Israel: July 1, Official devaluation of 18.8 per cent. (11) Italy: July 21, Official devaluation of 8 per cent within the EMS. (12) Mexico: July 11, New free rate introduced to replace old free rate. (13) Mexico, July 24: Controlled peso rate devalued by 16.7 per cent. (14) Ghana, August 12: Cedi devalued by approximately 7 per cent. For further information please contact your local branch of the Bank of America.

LONDON SHARE SERVICE

BRITISH FUNDS

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
		"Shorts" (Lives up to Five Years)				
101[illegible]	99[illegible]	Exch. 12¾pc 1985	100		12.25	11.64
101[illegible]	99[illegible]	Exch 11¼pc '86	100[illegible]		11.72	10.98
99[illegible]	97[illegible]	Treas. 10pcCnv 1986	99[illegible]		10.04	10.97
95[illegible]	92¼	Treas 3pc 1986	95[illegible]		3.13	9.47
100	97½	Exch 10½pc Cv '86	99[illegible]		10.54	10.92
101[illegible]	99[illegible]	Treas 12pc 1986	100[illegible]		11.90	10.84
98[illegible]	94[illegible]	Treas 8¾pc 1984-86‡‡	98[illegible]		8.64	10.50
105[illegible]	102[illegible]	Exch. 14pc 1986	103[illegible]	–[illegible]	13.54	10.71
94[illegible]	87¼	Exch. 2½pc 1986	94[illegible]	+[illegible]	2.64	7.43
104[illegible]	101¼	Exch. 13¼pc 1987	103¼		12.83	10.57
99[illegible]	96[illegible]	Treas 10¼pc Cv '87	99[illegible]		10.29	10.48
92[illegible]	85[illegible]	Exch 2½pc 1987	92[illegible]		2.69	7.71
100	96¼	Exch. 10½pc 1987	100xd		10.50	10.55
94[illegible]	89	Funding 6½pc '85-87‡‡	94[illegible]	+[illegible]	6.88	10.26
99[illegible]	95½	Treas. 10pc 1987	99		10.10	10.59
90[illegible]	84¼	Treas 3pc 1987	90[illegible]	+[illegible]	3.29	8.37
102[illegible]	99¼	Treas. 12pc 1987	102[illegible]	+[illegible]	11.71	10.68
95	90¼	Treas 7¾pc 1985-88‡‡	94[illegible]		8.17	10.22
99[illegible]	95[illegible]	Exch 10½pc '88	99¼	+[illegible]	10.53	10.58
97[illegible]	93[illegible]	Treas 9½pc Cv '88	97[illegible]		9.97	10.66
86½	80	Transport 3pc '78-88	86[illegible]	+[illegible]	3.48	8.65
96[illegible]	91½	Treas 9½pc '88	96[illegible]	+[illegible]	9.81	10.70
102¾	97½	Treas 11½pc 1989	102[illegible]		11.21	10.57
96[illegible]	90¼	Treas 9½pc Cnv '89	96[illegible]	+[illegible]	9.84	10.66
82[illegible]	79	Treas 3pc 1989	82[illegible]		3.63	8.61
99[illegible]	94	Treas 10½pc 1989	99[illegible]		10.53	10.58
98¼	92	Exch. 10pc 1989	98		10.20	10.63
101¼	95	Exch 11pc 1989	101[illegible]xd		10.87	10.65
85[illegible]	79	Treas 5pc 1986-89	85[illegible]	+[illegible]	5.84	9.30
108[illegible]	103¼	Treas 13pc 1990‡‡	108[illegible]		11.98	10.50
101[illegible]	96[illegible]	Exch 11pc 1990‡‡	101[illegible]		10.84	10.56

Five to Fifteen Years

Over Fifteen Years

Undated

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FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
48	28	✥Mammet Hldgs. 10p	40		–	–	–	◆
390	202	Man. Ship Can. £1	367		5.5	3.5	2.1	19.3
104	70	Marley	81xd	–3	3.75	2.2	6.6	9.8
107	52	Marling Ind. 10p	101	–1	d1.5	5.1	2.1	12.9
74	36	Marshall L'ev 'A'	74		2.4	4.9	4.6	5.3
77	57	Marshall: Universal	62	+4	2.0	1.4	4.6	(19.7)
86	78	Do. 7½pcCnRedPf £1	82		7½%	—	13.1	—
For Martin-Black see Dean Park Hotels in Recent Equities								
£99	£81	♥Mathesons 7¾%	£99		Q7¾%	2.3	17.9	—
35	24	✥Mayprint 1p	25		—	—	—	—
510	375	Metal Box £1	508		17.25	3.1	4.9	7.6
170	110	Metal Closures	110	–7	6.7	2.0	8.9	6.7
17	3	✥Metal Sciences 2½p	7		—	—	—	—
104	73	✥Midland Marts	90	–2	4.0	2.1	6.3	10.8
83½	55½	Mitchell Cotts	57½	+½	t4.0	1.5	9.9	8.2
230	182	Morgan Crucible	195		8.0	1.6	5.9	13.5
32½	22	✥Morris (W) F A. 20p	28	–1	g0.5	◆	2.6	◆
116	91	Moss (Robt.) 10p	116	+3	3.0	2.5	3.7	12.8
81	68	Myson Grp 10p	68		g2.5	3.4	5.3	12.9
328	214	✥NMW Computers	265		h4.8	2.7	2.6	20.4
43	28	Nash Ind.	30		‡2.5	1.5	‡	6.9
48	17	Neil & Spencer 10p	17		◆	—	—	5.1
44	14½	Newman Inds 10p	33		—	—	—	(15.6)
41	26	Nolton	35		d1.17	4.5	4.8	6.8
189	146	Norcros	184		8.6	2.2	6.7	9.2
67	50	Nu-Swift 5p	50		3.0	1.6	8.6	9.6
111	68	Oakwood Grp.	100	+5	td4.5	1.4	6.4	(14.7)

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Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
350	117	♥Centennial Min's.	180		—	—	—
120	60	♥Colby Res Corp.	65		—	—	—
550	287	Cons. Murch. 10c	325		†Q100c	1.4	9.2
40	24	✥Emess Int. Ir10p	26		—	—	—
215	115	Hampton Areas 10p	145		3.75	0.9	3.5
260	135	♥Highwood Res.	185		—	—	—
£22½	£17½	Homestake Mining $1	£18¾	+⅛	Q20c	—	7.7
310	190	♥McFinley Red Lake	210	–10	—	—	—
335	195	♥Mosto Explorations	285		—	—	—
55	23	♥New Sabina Res C$1	42	–2	—	—	—
375	245	Northgate C$1	260		—	—	—
685	533	RTZ	598	+1	20.0	2.7	4.8
£145½	£116½	Do. 9½pcLn '95-2000	£130		Q9½%	14.0	7.4
£74½	£10	♥Tara Expln $1	£10⅞		—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✥ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –	Stock	Price	+ or –
Albany Inv 20p	96		Arnott	190	
Craig & Rose £1	780		CPI Hldgs.	61xd	
Finlay Pkg. 5p	59		Carroll Inds.	143	–2
Higsons Brew	235		Dublin Gas	73	
Holt (Jos) 25p	720	–10	Hall (R. & H.)	60	
IoM Stm. £1	90		Helton Hldgs.	25	+1
IRISH			Irish Ropes	48	+3
Fund 11¼% 1988	£101¼		Jacob (W.& R.)	30½	
Nat. 9¼% 84/89	£97¾	+⅛	Unidare	106	+1
Fin. 13% 97/02	£105¼xd	–⅛			

"Recent Issues" and "Rights" Page 30
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LONDON STOCK EXCHANGE

MARKET REPORT

Allied-Lyons and Distillers feature in a day of intense speculative activity

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
July 29	Aug 8	Aug 9	Aug 19
Aug 12	Aug 29	Aug 30	Sept 9
Sept 2	Sept 12	Sept 13	Sept 23

* "New-time" dealings may take place from 9.30 am two business days earlier.

Earlier discouraging events in London stock markets were quickly overtaken yesterday when it was officially announced around 10 am that Elders IXL was attempting to form a consortium which may bid for Allied-Lyons at not less than 250p per share. This development followed heavy speculation in Allied over the past few days and triggered off yet another round of speculative activity in other possible takeover candidates. Allied's shares touched 295p before closing 18 up on the day at 285p. Allied's board and its advisers later described the intimated offer as "ludicrously inadequate."

Initially, sentiment had been *dampened* by the continuing investment uncertainty on Wall Street and by the prospect of the sale of the Government's remaining 22.7 per cent holding in Cable and Wireless during the current financial year. Cables turned easier and most other leading issues were looking decidedly dull in the first half hour or so of trading.

Apart from a minor rally in some blue chips, the underlying trend was to lower levels. Once again, this was masked to a certain extent by sharp gains in Allied-Lyons, Distillers and Lucas. The last mentioned responded to the company's proposals which are expected to have an impact on pre-tax profits in the region of £20m. Late speculative demand left Distillers 22 to the good at 372p. In complete contrast, Cadbury Schweppes, which announced interim figures well below market expectations, fell 10 to 134p.

Reflecting the trend, the Financial Times Ordinary share *index recorded a fall of 8 points* at 10 am which was subsequently reduced to 3.1 at the close.

Most of the prominent movements in secondary issues resulted from trading statements and speculative activity.

Helped by sterling's relatively steady trend, Government stocks traded on a slightly firmer note. *At the official close, long-dated* stocks showed gains of ⅛, while the shorts displayed rises of 1/16. Index-linked issues, however, met with occasional selling and closed with falls ranging to ½.

C.U. resilient

The unfavourable Press reception given to their respective poor interim trading statements prompted renewed depression in both GRE and Sun Alliance; the former dropped 15 more for a two-day relapse of 60 at 670p, while the latter closed the same amount off at 460p, a two-day reaction of 37. Commercial Union, meanwhile, responded to publicity given to a bullish report on the company by de Zoete and Bevan and closed 6 to the good at 227p, after 29p. Elsewhere, Life issues remained on offer with Equity and Law 10 lower at 260p and Prudential 7 down at 688p.

International debt worries continued to deter potential buyers of the major clearers. Consequently, quotations drifted lower for want of support. Lloyds relinquished 9 at 423p and NatWest gave up 7 at 663p. Fears of possible bad debts resulting from the atrocious summer which has plagued the Irish farming community this year prompted a fall of 20 to 325p in Bank of Ireland and a decline of 4 to 138p in Allied Irish.

Among recently-issued equities, profit-taking in the wake of the interim figures clipped 8 from Pacer at 153p, but buying ahead of the results due on September 19 *lifted* Polypipe that amount to 145p.

The Allied-Lyons situation stimulated sympathetic activity throughout Breweries. Bass advanced 15 to equal the year's peak of 587p, while Scottish and Newcastle, still considered as a possible target for Mr Jimmy Gulliver's Argyll Group, closed another 8 higher at 177p. Among the Regionals, Greenall Whitley met steady support and rose 5 to 187p while similar rises were seen in Vaux, 370p, and Matthew Brown, 440p. Greene King remained the current takeover favourite, however, and advanced 14 more to 240p. Elsewhere, Distillers, already standing a few pence to the good throughout the session, attracted considerable support after the house close to finish 22 up on balance at 372p; British Petroleum were mentioned as the latest in a long line of possible suitors.

The Building sector displayed a dull feature in Costain which came under selling pressure following a broker's downgraded profits estimate and fell to 432p prior to closing a net 14 down at 446p; the interim results are due next Wednesday. Other leading issues continued to drift lower, RMC losing 4 to 412p and Rugby Portland Cement a couple of pence to 123p. Among the second-liners, May and Hassell, in which Deltic Securities UK recently increased its stake to just over 15 per cent, attracted speculative demand on takeover hopes and rose 8 to 87p. Derek Crouch moved up 4 to 96p awaiting today's half-timer, but HAT Group shed 6 to 102p awaiting news from the annual meeting.

Major Retailers continued to present an irregular profile. Harris Queensway, mentioned recently as a possible takeover target for Woolworth, firmed 4 to 272p; the latter, due to announce interim results on September 18, eased a few pence to 487p. William Bedford continued to make headway ahead *of next Tuesday's half-timer* and rose 10 to 170p.

CASE provided the Electronics sector with yet another depressing feature; the shares—down 22 on Wednesday—plum*meted further to 105p before* closing 32 lower on balance at 118p on the Board's disclosure that the current half-year trading period, which ends later this month, is unlikely to be profitable. INSTEM fell 20 to 205p on the disappointing interim results, while AB relinquished 8 at 270p and Unitech dipped 7 *to 223p.* The leaders passed a fairly dull session with sentiment here not helped by the Government's revelation that it intends to sell its remaining shares in Cable and Wireless during the current financial year; Cables lost 10 to 555p. BICC gave up 5 to 215p following comment on the static *interim profits,* while Thorn EMI cheapened 8 to 399p on the absence of the widely-rumoured takeover developments. GEC, still reflecting a broker's recent profits downgrading, slipped 4 to 172p. Plessey remained friendless at 132p, down 4. Against the trend, International Signal and Control were *outstanding for* a speculative rise of 13 at 295p.

Wadkin became a prominent casualty in Engineerings, falling 13 to a 1985 low of 97p on news of a slashed interim dividend and first-half profits down over 60 per cent. Davy Corporation lost 4 to 110p, after 108p, following details of proposed redundancies at its Davy McKee subsidiary. Profit-taking in the absence of any further takeover moves by Evered left TI 4 easier at 374p, while sporadic offerings in an unwilling market brought about similar reactions in Hawker, at 393p.

Cadbury Schweppes' interim profits fell some £5½m below market estimates and the shares reacted to 130p prior to closing a net 10 down at 134p. Rowntree Mackintosh shed 8 to 395p in sympathy. Among other Foods, S. & W. Berisford came on offer *following a broker's adverse* circular and closed 9 off at the day's lowest of 180p. On the other hand, Hazlewood rose 15 to 730p on the agreed acquisition of Olaf Foods and certain connected companies from Bejam for an initial consideration of £10m; Bejam, a shade easier initially, finished a penny dearer on balance at 186p.

Reed Int. below best

Heavy speculative buying fuelled by vague talk of an imminent bid worth £10 per share from Hanson Trust saw Reed International advance initially to a 1985 peak of 737p before the shares succumbed to profit-taking and ease back but still close 30 higher on the session at 715p. Elsewhere in miscellaneous industrials, Christies International also reflected takeover chatter with a gain of 20 to 247p. Persistent buying ahead of the results scheduled for next Thursday helped Bridon move up 6 to 127p, after 137p. WSL, formerly Wolverhampton Steam Laundry, improved 3 to 62p with the help of call option activity and Portals responded to the half-year figures with a gain of 15 at 580p. Impressive first-half results enabled Centreway Industries to rise 2½ to to 17p, while *Bestwood firmed 5 afresh to* 340p. Cookson, on the other hand, fell 23 to 310p in reaction to the cautious statement which accompanied the interim results, while Fergabrook plummeted 17 *to* 40p on news of the half-year profits setback. British Aerospace issues came on offer in front of next week's call, the old closing 8 down at 370p and the new the same amount lower at 190p.

Among the Motors sectors, Flight Refuelling were firm at 298p, up 8, but Dowty shed 4 to 188p and Jaguar lost the same amount to 279p; the latter's interim results are due next Tuesday.

Among Papers, Bunzl shed 12 to 470p on further consideration of the results, but USM—quoted Hunterprint attracted revived speculative buying and gained 14 to 241p, after 243p. William Collins rose 5 to 350p and the A hardened a penny to 616p in reply to the increased half-year profits and scrip issue proposal.

Leading Properties were easier for choice following another quiet trade. Elsewhere, Daejan rose 35 *to* 525p in a restricted market following the annual meeting, but Mountleigh slipped 5 to 465p after the acquisition of a leasehold property in London SW1 for £6.75m cash to be partly financed by a share placing at 440p per share.

P & O Deferred, at 405p, re*linquished 16 of* the previous day's rise of 23

In Financials, J. J. and D. Frost firmed 5 to 96p in reply to the increased mid-term profits.

Burmah rise

The oil majors traded cautiously at the outset and gave modest ground. However, the reappearance of late buyers left final quotations marginally higher on balance. British Petroleum finished a shade dearer at 571p, as did Shell, at 721p. Burmah were a firm market on buying ahead of next Tuesday's half-timer and touched 300p prior to closing a net 8 up at 299p. Britoil hardened a couple of pence to 225p and the new partly-paid shares improved 3 to 141p.

Golds up again

South African mining markets took Wednesday's rally a stage further as international operators, reflecting on the collapse of the mineworkers strike, adopted a more confident view of the Republic's current situation. Once again, the tone in Golds was set by firmer overnight indications from the U.S. which met sympathetic support in Johannesburg. London and leading Continental centres traded quietly, albeit with a noticeably firmer bias.

Bullion continued to trade in subdued fashion, closing a dollar up at $325.75 an oz.

Rises in top-quality Golds, often exaggerated by stock shortage, extended to three points as in Randfontein, £55⅞. Vaal Reefs rose 2½ to £53½, while Southvaal, £23½, and Western Deep, £24½, advanced 1½ and 1½ points respectively. Among the *more marginal issues Kinross,* awaiting preliminary results, put on 56 to 955p, while gains of around 20 were common to Leslie, 160p, and Durban Deep, 646p. The FT Gold Mines index closed 19.6 higher at 309.5.

Financials mirrored Golds. "Amgold" finished almost 2 points to the good at £52½ while *GFSA improved 28 to 882p.* De Beers, closed 7 dearer at 320p, and "Anamint" were marked 2 higher at £33. Platinums also made noteworthy headway with Impala, the subject of considerable UK "call" option business recently, rising 20 to 550p. London-registred counters showed Consolidated Gold Fields another 8 up at 417p.

FINANCIAL TIMES STOCK INDICES

	Sept. 5	Sept. 4	Sept. 3	Sept. 2	Aug. 30	Aug. 29	year ago
Government Secs	83.60	83.60	83.39	83.37	83.54	83.62	79.01
Fixed Interest	88.45	88.44	88.39	88.37	88.57	88.60	82.55
Ordinary ♥	1003.3	1006.4	1007.8	1013.5	1013.9	1003.9	848.9
Gold Mines	309.5	289.9	291.2	291.7	290.7	280.1	551.9
Ord. Div. Yield	4.69	4.68	4.67	4.64	4.61	4.67	4.83
Earnings, Yld. % (full)	11.55	11.50	11.49	11.42	11.42	11.56	11.39
P/E Ratio (net) (*)	10.72	10.77	10.79	10.85	10.85	10.71	10.55
Total bargains (Est.)	22,956	22,163	23,682	21,878	24,037	21,382	18,358
Equity turnover £m.	—	382.10	392.73	355.80	475.93	458.98	211.77
Equity bargains	—	20,533	22,281	25,064	25,858	23,982	18,278
Shares traded (ml)	—	190.4	194.7	185.2	231.5	213.6	333.1

♥ 10 am 998.4. 11 am 1003.8. Noon 1006.8. 1 pm 1005.0. 2 pm 1005.3. 3 pm 1004.2. 4 pm 1004.6.

Day's High 1007.2. Day's Low 997.4.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil=10.33.

HIGHS AND LOWS / S.E. ACTIVITY INDICES

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.87 (30/7)	78.08 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.81 (23/8)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1084.5 (22/1)	911.0 (25/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	280.1 (29/8)	734.7 (15/2/83)	43.5 (28/10/71)

	Sept. 4	Sept. 3
Daily Gilt Edged Bargains	130.0	124.1
Equities Bargains	133.0	144.4
Equities Value	772.3	795.8
5 day Average Gilt Edged Bargains	126.6	123.1
Equities Bargains	152.5	148.4
Equities Value	835.0	802.1

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (60)

BRITISH FUNDS (7)
Fdg. 6½pc '85-87; Exchqr. 12¼pc 1999; Treas. 10pc 1987; Conv. 10¼pc 1999; Exchqr. 13½pc '94; Treas. 14pc '98-01; Treas. 12¼pc 1995

CANADIANS (1)
Intl. Corona Res.

BREWERS (8)
Allied-Lyons; Scottish & Newcastle; Greene King; Vaux; Guinness; Whitbread A; Invergordon Distills.; Wolv'hampton Dudley

BUILDINGS (4)
Vountryside Props.; Higgs & Hill; Denton; Wilson (Connolly)

STORES (5)
Aquascutum; Ramar Textiles; Brown (N.) Invs.; Sears; Grattan

ENGINEERING (1)
Desoutter Bros.

FOODS (6)
Batleys; Iceland Froz. Foods; Cliffords Dairies A N-V; Matthews (B.); Pyke; Fitch Lovell

INDUSTRIALS (11)
Assoc. Steel Dist.; Moss (Robert); Bestwood; Radiant Metal; Booker McConnell; Reed Intl.; Grampian Hldgs.; WSL; Hunter; Tomkins (F. H.); Longton Indl.

INSURANCE (1)
Steel Burrill Jones

LEISURE (1)
Medminster

MOTORS (3)
Browns (C.) Car; Perry; Lucas Inds.

PAPER (1)
Cropper (James)

PROPERTY (2)
Daejan; Evans of Leeds

TEXTILES (2)
Beales (J.); British Mohair

TRUSTS (7)
Archimedes Inc.; SPLIT Cap.; City & Comm. Inc.; Baltic; Danae Cap.; Frost (J. J. & D.); M & G Dual Cap.

NEW LOWS (24)

AMERICANS (3)
Business Computer; Cullinet Software; Corporate Data Sci.

BUILDINGS (1)
Howard Shuttering

CHEMICALS (1)
Leigh Interests

ELECTRICALS (2)
CASE; Security Tag Systems

ENGINEERING (1)
Wadkin

FOODS (1)
Hunter Saphir

INDUSTRIALS (6)
Armour Trust; Metal Closures; Eastern Produce; Rotaprint 11½pc Cnv. Pf.; Fergabrook; London & Northern

PROPERTY (1)
Control Securities

SHIPPING (2)
Mersey Dock Units; Sea Containers

TRUSTS (2)
Sea Containers; Fleming Amer. 7pc Cnv. Uns. Ln. '99; Mersey Dock Units; Plantation Trust

OILS (1)
Charterhall

PLANTATIONS (1)
Anglo-East. Plants.

MINES (2)
Lydenburg Platinum; Aust. Hydrocarbons

RISES AND FALLS

	Rises	Falls	Same
British Funds	31	20	56
Corpns. Dom. and Foreign Bonds	16	1	61
Industrials	215	320	936
Financial and Props.	65	102	386
Oils	24	17	84
Plantations	1	5	12
Mines	70	17	92
Others	66	62	115
Totals	488	544	1,744

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or –	Net Div.	Times covered	Gross Yield	P.E. Ratio
§59	F.P.	9/8	65	58	✠ATA Selection 5p	63	...	bg1.5	2.6	3.4	17.1
180	F.P.	2/8	250	235	Abbey Life 5p	243	...	b6.6	—	3.9	—
67	F.P.	6/9	88	68	✠Aberd'n Steak H. 5p	84	–1	ug2.2	2.0	3.7	18.0
¶	F.P.	—	£20½	£19	Alex. & Alex. c. $1	£20	–½	—	—	—	—
§34	F.P.	30/9	41	35	Anglo Utd. Dev.	41		bd1.05	3.1	3.6	16.9
§138	F.P.	3/8	140	128	✠Appletree 10p	128	–5	b2.5	4.8	2.8	12.5
60	F.P.	12/8	60	44	Baillie G'f'd Shun Npn.	44		—	—	—	—
—	F.P.	10/9	15	13	Do. Warrants	13		—	—	—	—
—	F.P.	—	7	6	Bardsey Pfd. Ord.	7					
170	F.P.	22/8	205	195	Bradstock 5p	203		bg5.25	2.4	3.7	15.2
375	200	10/9	253	128	British Aerospace 50p	190	–8	14.65	3.1	5.5	6.7
185	100	1/10	148	117	Britoil 10p	141	+5	t15.0	3.0	8.2	5.5
‖	F.P.	—	146	140	Business Mort. Tst.	140	–5	u1.51	3.9	1.5	24.0
§80	F.P.	27/9	90	77	✠CCA Galleries 10p	90		bg2.35	3.8	3.7	18.5
‖	F.P.	30/8	100	90	✠CobraEmer'ldMines	90		—	—	—	—
§70	F.P.	20/9	75	69	Conrad Hldgs.	69		bg3.5	2.2	7.3	9.1
§115	F.P.	6/9	128	118	ControlTechniques10p	118	–2	bg2.7	2.7	3.3	14.4
§51	F.P.	—	52	48	✠Dean Park Hotels	49	+1	—	—	—	—
160	F.P.	26/7	150	95	First Security 10p	130		u3.5	2.0	3.8	17.8
Ir.97	F.P.	26/7	77	68	Green Property Ir. 25p	68		12.575	1.5	3.8	25.7
‖	F.P.	—	125	100	Greenwich Resources	100		—	—	—	—
§80	F.P.	27/9	26	25	✠Israel Jack L. 4p	26		60.5	3.3	8.7	22.3
§110	F.P.	6/9	112	98	✠Lowmar	105	+2	u2.625	3.0	3.6	13.0
§65	F.P.	30/8	72	68	✠Lysander Pet. 5p	72	+4	—	—	—	—
§44	F.P.	—	62	46	✠Micha'l J Design 2½p	60	–2	1.0	3.6	2.4	16.7
120	F.P.	26/7	115	100	Micro Scope 10p	107		b1.5	4.3	2.0	15.0
105	F.P.	4/9	107	87	✠Moss Advertising 5p	95	+2	bg2.45	3.0	3.7	13.0
§170	F.P.	9/8	170	135	✠Pacer Systems $0.01	153	–8	bg3.9c	—	2.0	—
§99	F.P.	9/8	145	102	✠Polypipe 10p	145	+8	b2.9	2.7	2.8	18.2
160	F.P.	9/8	125	93	✠Sapphire Petm. 50p	93	–2	—	—	—	—
110	F.P.	—	110	104	Tiphook 10p	106		u3.73	2.1	5.0	10.6
§75	F.P.	—	104	74	✠Trilion 10p	87		bg1.1	4.2	1.8	18.1
110	F.P.	30/8	133	117	✠Yellowhammer 5p	130	...	bg1.6	1.4	1.7	11.9

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or –
87.305	£30	—	30⅞	30	Australia 9½% Ln. 2012	30⅛	
§91.445	£30	—	28½	28¼	Bank of Greece 10¼% Ln. 2010	28¼	
§96.458	£25	27/11	26¾	26⅛	Brixton Est. 10½% 1st. Mort. Deb. 2005	26½	+⅛
¶¶	F.P.	27/9	107	100	Burton 8% Cnv. Uns. Ln. 2001	107	+4
¶¶	F.P.	25/10	109	106	Guinness 8¼% Cnv. Uns. Ln. 1996-2001	109	
¶100	£10	—	13⅛	13⅛	Eastbourne Water 8¾% Red. Prf. 1995	13⅛	
88.465	£30	24/1	31	29¾	Intl. Bk. for Rec. & Dev. 9⅞% Ln. 2010	30	
§99.855	F.P.	18/10	100⅞	99⅞	Keystone Invs. 11½% Deb. 2010 15	100⅛	
‖	F.P.	16/10	103	100	Macallan-Glen. 6¾ Cnv. Uns. Ln. 2005	103	
90.705	F.P.	6/9	95	90	Malaysia 10¾% Ln. 2009	94	+¼
—	F.P.	—	100⅛	99	Nationwide 11⅛% Bds. 11.6.86	100	
—	F.P.	—	100	99	Do. 11¼% Bds. 1.9.86	99	
¶¶	F.P.	—	100	95	REA 9% Cum. Pref.	100	
‖	Nil	—	5ppm	1ppm	Wintrust 5¾% Cnv. Cum. Pref.	5ppm	+1

RIGHTS OFFERS

Issue price	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price	+ or –
90	F.P.	23/9	200	173	✠Applied Holographics 5p	190.5	
180	F.P.	9/9	340	320	Bestwood 10p	340	+5
47	Nil	—	12pm	8pm	Brit. Vending 10p	12pm	+1
25	F.P.	17/9	29½	28	Brown (J.) A	29	
5	F.P.	11/9	7½	5¼	Dares Est. B 5p	7½	
280	F.P.	13/9	347	305	Extel	345	–2
360	Nil	27/9	56pm	45pm	Forshaws Burtonwood	45pm	
68	Nil	—	63pm	42pm	Greenwich Resources	42pm	
185	100	28/10	130	99	Hanson Trust	127	–1
25	F.P.	24/9	35	28	Nolton	35	
230	Nil	—	45pm	2pm	Oceana Dev. Inv. Tst.	2pm	
120	F.P.	30/8	154	123	Prestwich	154	+10
15	Nil	—	4pm	3pm	RTO Group IR 1.75p	2½pm	–½
400	F.P.	20/9	568	463	Siebe	555	+5
425	F.P.	20/9	505	445	TACE 10p	468	–7
250	F.P.	23/9	300	285	✠Thermal Scientific	300	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a).

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Aug 19	Sept 6	Nov 21	Dec 2
Sept 9	Sept 20	Dec 5	Dec 16
Sept 23	Oct 4	Dec 19	Dec 30

For rate indications see end of Share Information Service

Stocks favoured for the call included CASE, Riley Leisure, Brunswick, West Coast, Western Areas, Grand Central, Nolton Estates, British Telecom, Kenning Motor, Kwik-Fit, Premier Oil, Allied-Lyons, Ramar Textiles, Eglinton Oil and Gas, TI, A. G. Stanley, Sun Oil Royalties, Vosper, and WSL. No puts or doubles were reported.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Thur Sept 5 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	xd adj. 1985 to date	Wed Sept 4 Index No.	Tues Sept 3 Index No.	Mon Sept 2 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (206)	521.41	–1.1	10.85	4.27	11.60	11.17	527.32	529.49	536.31	507.39
2	Building Materials (22)	553.62	–0.7	11.87	4.79	10.47	13.04	557.55	559.94	562.86	458.96
3	Contracting, Construction (29)	834.40	–0.3	11.99	4.96	10.65	18.82	836.99	838.68	835.27	669.25
4	Electricals (14)	1436.87	–1.6	11.13	5.14	11.39	35.52	1460.97	1432.12	1463.42	1527.75
5	Electronics (38)	1338.56	–2.3	11.35	3.37	11.63	29.85	1369.73	1383.18	1418.92	1803.25
6	Mechanical Engineering (62)	297.37	–0.7	11.07	4.75	11.00	6.48	299.47	297.98	298.44	254.94
8	Metals and Metal Forming (7)	206.40	–0.8	12.70	7.71	9.78	4.13	208.04	208.07	211.56	189.64
9	Motors (16)	169.58	+0.7	13.04	4.99	9.48	3.55	168.47	170.57	171.08	124.61
10	Other Industrial Materials (18)	936.50	–0.9	7.37	3.60	16.45	15.81	945.46	952.58	970.20	692.17
21	CONSUMER GROUP (176)	697.96	+0.1	9.17	3.74	13.62	12.56	696.96	698.44	696.79	520.92
22	Brewers and Distillers (23)	716.85	+3.3	9.63	4.03	13.10	13.83	694.28	685.25	682.49	499.25
25	Food Manufacturing (21)	580.49	–1.4	11.92	4.37	10.80	13.12	587.72	518.27	518.41	405.25
26	Food Retailing (14)	1610.85	–0.5	6.04	2.59	22.35	18.66	1618.24	1615.49	1618.60	1231.75
27	Health and Household Products (9)	1087.31	–0.1	6.22	2.73	18.88	11.95	1088.62	1096.27	1097.40	899.03
29	Leisure (22)	683.67	–1.0	8.27	4.84	15.81	21.26	690.34	693.32	694.54	562.57
32	Newspapers, Publishing (12)	1902.70	+0.4	7.58	4.00	16.99	37.91	1895.07	1888.64	1897.93	1302.55
33	Packaging and Paper (14)	371.24	+1.0	9.57	4.03	12.40	6.36	367.39	368.20	368.11	246.15
34	Stores (42)	691.45	–0.5	7.26	3.07	18.85	9.81	695.00	696.59	692.50	444.07
35	Textiles (16)	345.05	+0.1	12.67	4.76	8.95	8.88	344.59	343.06	335.75	271.65
36	Tobaccos (3)	828.88	+0.1	17.80	5.19	6.36	18.71	827.89	846.79	848.46	711.44
41	OTHER GROUPS (101)	697.30	–0.7	9.11	4.87	14.20	14.29	701.94	705.20	707.15	466.09
42	Chemicals (19)	685.66	–0.1	14.32	5.53	9.23	25.04	686.26	689.83	692.27	616.47
44	Office Equipment (4)	202.13	+0.9	7.91	4.35	15.09	3.64	200.29	204.45	205.78	143.47
45	Shipping and Transport (12)	1206.57	–2.1	7.95	4.46	15.66	26.88	1232.64	1199.30	1202.71	854.47
46	Miscellaneous (64)	864.55	–0.4	7.33	3.69	16.67	14.48	867.85	863.61	859.06	651.85
48	Telephone Networks (2)	899.93	–1.0	8.26	3.61	16.15	14.38	908.75	921.98	928.80	0.0
49	INDUSTRIAL GROUP (483)	658.28	–0.4	9.56	3.96	13.22	12.83	660.78	662.95	664.74	513.98
51	Oils (17)	1205.62	+0.3	15.60	7.20	7.88	51.89	1202.00	1207.29	1214.15	1085.86
59	500 SHARE INDEX (500)	704.11	–0.3	10.37	4.39	12.12	15.96	706.14	708.57	710.76	561.90
61	FINANCIAL GROUP (115)	481.42	–0.5	—	4.99	—	12.90	483.83	489.09	488.92	384.93
62	Banks (6)	484.26	–0.8	18.50	6.11	7.72	19.80	488.21	495.22	493.08	362.08
65	Insurance (Life) (9)	747.73	–0.7	—	4.37	—	15.74	753.28	766.19	767.86	530.57
66	Insurance (Composite) (7)	357.21	–0.4	—	5.51	—	8.53	358.73	368.02	369.19	274.97
67	Insurance (Brokers) (7)	1167.38	–0.9	7.15	3.55	18.72	21.02	1178.14	1183.28	1160.56	837.25
68	Merchant Banks (11)	235.58	+0.3	—	4.79	—	5.05	234.83	231.38	231.12	212.48
69	Property (50)	651.21	–0.2	5.73	3.71	23.45	10.88	652.75	657.93	660.97	596.08
70	Other Financial (25)	279.32	—	10.19	5.94	12.08	9.62	279.19	278.58	276.64	245.66
71	Investment Trusts (106)	590.23	–0.4	—	3.65	—	11.27	592.57	593.30	592.69	512.80
81	Mining Finance (3)	262.05	+0.8	12.39	5.85	9.37	5.36	260.06	258.34	257.97	275.79
91	Overseas Traders (14)	603.43	–0.1	12.42	6.60	9.64	23.86	604.15	603.73	604.86	564.35
99	ALL-SHARE INDEX (738)	640.56	–0.3	—	4.49	—	14.88	642.56	645.33	646.82	516.67

	Index No.	Day's Change	Day's High	Day's Low	Sept 4	Sept 3	Sept 2	Aug 30	Aug 29	Year ago
FT-SE 100 SHARE INDEX	1322.0	–4.7	1324.1	1318.4	1326.7	1335.5	1340.3	1340.8	1323.9	1095.3

FIXED INTEREST

	PRICE INDICES	Thur Sept 5	Day's change %	Wed Sept 4	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	119.67	+0.04	119.62	—	7.72
2	5-15 years	133.25	+0.04	133.17	—	9.34
3	Over 15 years	137.70	+0.05	137.63	—	9.71
4	Irredeemables	151.30	—	151.30	—	8.90
5	All stocks	130.95	+0.04	130.89	—	8.89
6	Debentures & Loans	112.87	+0.15	112.71	—	7.33
7	Preference	80.56	+0.07	80.50	—	4.85
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	111.39	–0.35	111.68	—	2.41

	AVERAGE GROSS REDEMPTION YIELDS		Thur Sept 5	Wed Sept 4	Year ago (approx.)
	British Government				
1	Low	5 years	9.95	9.95	11.44
2	Coupons	15 years	10.14	10.14	10.85
3		25 years	10.15	10.15	10.39
4	Medium	5 years	10.71	10.71	12.13
5	Coupons	15 years	10.51	10.51	11.31
6		25 years	10.39	10.39	10.73
7	High	5 years	10.86	10.86	12.16
8	Coupons	15 years	10.71	10.71	11.63
9		25 years	10.41	10.41	10.97
10	Irredeemables		9.77	9.77	10.32
11	Debs & Loans	5 years	11.37	11.37	12.58
12		15 years	11.35	11.35	12.24
13		25 years	11.24	11.25	12.14
14	Preference		12.18	12.19	13.29
15	Inflation rate	5%	3.57	3.54	3.82
16		10%	3.31	3.35	3.64

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

YESTERDAY ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Wed close	Day's change
BICC	22	220	+17
BAT Industs.	16	320	– 8
GRE	16	685	–45
Charthse. Pet.	15	101	+12
P & O Deferred	15	421	+23
Allied-Lyons	14	267	+15
Bestwood	14	335	+27
De Beers Defd.	14	313	+ 6
Lucas Industs.	14	331	–12
Prudential	14	695	–13
BP	12	570	– 1
Sun Alliance	12	475	–22

WEDNESDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Allied-Lyons	285	+18
British Home Stores	295	– 3
British Telecom	199	– 2
Celtic Haven	99	+ 3
Cookson	310	–23
Distillers	372	+22
Fergabrook	40	–17
GRE	670	–15
Hunterprint	241	+14
Kwik-Fit	53	– 3
Lucas Industries	365	+34
Thorn EMI	399	– 8

EUROPEAN OPTIONS EXCHANGE

Series	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	May Vol.	May Last	Stock
[illegible]							

TOTAL VOLUME IN CONTRACTS: 14,086

A=Ask B=Bid C=Call P=Put

LONDON TRADED OPTIONS

Option		Calls Oct.	Calls Jan.	Calls Apr.	Puts Oct.	Puts Jan.	Puts Apr.
B.P. (*571)	460	118	—	—	1	—	—
	500	78	96	102	2	6	11
	550	56	58	60	10	16	22
	600	8	22	30	38	40	45
Cons. Gold (*414)	390	38	50	64	12	18	25
	420	18	38	46	30	38	45
	460	6	20	33	60	62	72
	500	3	12	19	100	100	102
Courtaulds (*146)	120	28	32	34	1	2	3
	130	19	23	25	2	4	6
	140	11	14	19	4	6	10
	160	4	6	—	17	19	—
Com. Union (*227)	180	49	—	—	2	—	—
	200	29	36	40	3	6	8
	220	13	20	25	11	14	18
G.E.C. (*172)	[illegible]						
Grand Met. (*333)	[illegible]						
I.C.I. (*677)	[illegible]						
Land Sec. (*296)	[illegible]						
Marks & Sp. (*151)	[illegible]						
Shell Trans. (*721)	[illegible]						
Trafalgar House	[illegible]						

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
BAT Inds. (*320)	[illegible]						
Barclays (*394)	[illegible]						
Brit. Aero (*370)	[illegible]						
BritTelecom (*200)	[illegible]						
Imperial Gr. (*181)	[illegible]						
LASMO (*270)	[illegible]						
Lonrho (*153)	[illegible]						

Option		Calls Nov.	Calls Feb.	Calls May	Puts Nov.	Puts Feb.	Puts May
P. & O. (*406)	360	50	67	—	1	7	—
	390	22	40	48	6	15	20
	420	12	23	30	25	28	37
Racal (*158)	140	10	18	24	10	14	18
	160	6	10	16	24	28	30
	180	2	6	13	44	44	44
	200	1	3	—	64	64	—
R.T.Z. (*594)	500	107	112	—	4	9	—
	550	65	74	85	10	20	27
	600	33	42	52	25	40	47
Vaal Reefs (*674)	70	11	15	16¼	7½	9½	11
	80	6½	9½	10½	14	15½	17
	90	3¼	6	—	19	20½	—
	100	2	3	—	28½	29½	—
Ex10% 1989 (*296)	94	4⅝	4⅞	—	0⅛	0⅛	—
	96	2⅝	2⅝	—	0⅛	0⅛	—
Tr. 11¾% 1991 (*£104)	[illegible]						
Tr. 11¾% 03/07 (*£110)	[illegible]						

Option		Calls Sept.	Calls Dec.	Calls Mar.	Puts Sept.	Puts Dec.	Puts Mar.
BTR (*350)	[illegible]						
Beecham (*333)	[illegible]						
Boots (*184)	[illegible]						
De Beers (*$4.30)	[illegible]						
GKN (*233)	[illegible]						
Glaxo (*1360)	[illegible]						
Hanson (*211)	[illegible]						
Jaguar (*279)	[illegible]						
Tesco (*258)	[illegible]						
£/$ (*137.70cts)	[illegible]						
D/$ (*35.05 cts)	[illegible]						

Option		Sep	Oct	Nov	Dec	Sep.	Oct.	Nov	Dec
FT SE Index (*1323)	[illegible]								

September 5 Total Contracts 6,073 Calls 4,... Puts ... *Underlying security price.

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FRANCE · GERMANY · ITALY · NETHERLANDS · NORWAY · SPAIN · SWEDEN · SWITZERLAND · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · JAPAN · JAPAN (continued) · SINGAPORE · SOUTH AFRICA

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights.

CANADA

TORONTO
Prices at 2.30pm September 5

Stock				
52544 CTire A f	$97/8	93/4	97/8	+ 1/4
2300 Cara	$161/2	161/2	161/2	
400 Celanese	$93/8	93/8	93/8	
21260 Centrl Tr	$155/8	151/2	155/8	+ 1/8
10 CHUM	$38	38	38	− 1/4
2700 Cineplex	$105/8	101/2	105/8	
5400 C Distb A	$73/4	73/4	73/4	
3200 CDistb B f	$73/8	71/4	73/8	
9500 CTL Bank	$113/4	113/4	113/4	
200 Conwest A	$83/8	83/8	83/8	+ 1/4
2200 Ipsco	$141/2	141/4	141/2	+ 1/4
150 Ivaco B	$211/2	211/2	211/2	− 1/2
4200 Jannock	$163/4	165/8	163/4	
200 Kelsey H	$403/4	403/4	403/4	
900 Kerr Add	$151/8	143/4	15	− 1/8
5800 Labatt	$281/2	281/4	281/4	− 1/4
2350 LOnt Cem	$141/8	14	14	− 3/8
10700 Lacana	$121/8	117/8	117/8	− 3/8
500 Loblaw Co	$211/2	211/2	211/2	
16130 Lumonics	$181/2	181/4	183/8	+ 1/8
1300 Steep R	265	265	265	+ 5
200 Tara	$193/4	193/4	193/4	
277 Teck Cor	$151/4	151/4	151/4	
21630 Teck B f	$153/8	15	151/4	+ 1/4
3900 Tex Can	$33	325/8	325/8	− 1/8
3115 Thom N A	$225/8	22	221/4	
15569 Tor Dm Bk	$241/8	24	24	
1200 Torstar B f	$283/4	285/8	285/8	− 1/4
300 Traders A f	$21	21	21	− 1/8
4875 Trns Mt	$103/4	103/4	103/4	

MONTREAL
Closing prices September 4

Stock				
14022 Gaz Metro	$113/4	115/8	113/4	
250 MntTrst	$163/8	163/8	163/8	+ 3/8
77165 NatBk Cda	$227/8	225/8	223/4	+ 1/8
19800 Power Corp	$183/8	173/4	18	− 1/4
13841 Royal Bank	$311/2	311/4	313/8	+ 1/8
1522 RoyTrstco	$23	227/8	227/8	− 3/8
400 SteinbrgA	$253/4	253/4	253/4	− 1/8

Total Sales 2,970,674 shares

Indices

NEW YORK-DOW JONES

	Sept 5	Sept 4	Sept 3	Sept 2	Aug 30	Aug 29	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,327.4 *	1,326.72	1,328.19	closed	1,334.01	1,335.13	1359.54 (18/7)	1184.96 (4/1)	1359.54 (18/7/85)	41.22 (2/7/32)
Transport	674.88*	679.66	686.58	closed	690.69	691.49	702.6 (17/7)	553.03 (4/1)	702.69 (17/7/85)	12.32 (8/7/32)
Utilities	158.01*	159.06	158.85	closed	158.87	159.83	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading vol		−	81.2m	closed	87.6m	85.6m	−	−	−	−

	Aug 23	Aug 16	Aug 9	Year Ago (Approx)
Ind Div Yield %	4.66	4.68	4.65	4.76

STANDARD AND POORS

	Sept 5	Sept 4	Sept 3	Sept 2	Aug 30	Aug 29	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	208.36*	208.18	208.82	closed	209.69	210.01	215.83 (18/7)	128.24 (4/1)	215.83 (18/7/85)	3.62 (30/6/32)
Composite	187.47*	187.37	187.91	closed	188.63	188.82	195.65 (17/7)	163.68 (4/1)	195.65 (17/7/85)	4.40 (1/6/32)

	Aug 28	Aug 21	Aug 14	Year Ago (Approx)
Ind div yield %	3.72	3.72	3.75	3.91
Ind. P/E Ratio	11.88	11.9	11.79	11.83
Long Gov Bond Yield	10.39	10.39	10.63	12.64

N.Y.S.E ALL COMMON

Sept 5	Sept 4	Sept 3	Sept 2	1985 High	1985 Low
108.64*	108.61	108.81	closed	113.49 (17/7)	94.60 (4/1)

RISES AND FALLS

	Sept 3	Aug 30	Aug 29
Issues traded	1,982	1,959	1,958
Rises	499	754	780
Falls	1,045	701	659
Unchanged	438	504	517

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Balt Gas	2,279,500	223/8	Unch
Pac Gas El	2,149,400	19	Unch
ITT Corp	1,657,300	333/8	− 5/8
Avon Prod	1,561,200	243/8	+ 21/2
Pan Am Corp	873,500	7	− 1/8
IBM	812,400	1283/8	+ 3/8
Oak Ind	774,300	15/8	+ 3/8
Bellsouth	773,500	403/8	+ 1/8
Lomas Mort	766,800	193/8	Unch
Cigna Corp	761,700	543/8	+ 1/8

Advances 833 Declines 750

TORONTO	Sept 5	Sept 4	Sept 3	Sept 2	1985 High	1985 Low
Metals & Minls	2,056.8*	2,057.19	2,096.8	closed	2190.7 (13/2)	1896.8 (4/1)
Composite	2,788.1*	2,794.06	2,806.0	closed	2819.9 (30/8)	2348.5 (8/1)
MONTREAL Portfolio	135.47*	138.00	138.48	closed	139.33 (19/7)	117.88 (4/1)

* Indicates pre-close figure

	Sept 5	Sept 4	Sept 3	Sept 2	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	938.5	934.5	937.3	937.0	956.9 (15/8)	715.3 (7/1)
Metals & Mins. (1/1/80)	524.0	521.2	525.4	526.8	583.8 (20/5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	99.47	99.75	100.24	100.25	105.73 (17/8)	85.21 (2/4)
BELGIUM						
Brussels SE (1/1/80)	2419.72	2408.41	2389.20	2389.83	2408.41 (4/9)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	u	215.83	216.79	215.65	217.88 (6/8)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	223.1	223.1	223.0	223.0	233.1 (31/5)	180.9 (3/1)
Ind Tendance (28/12/84)	125.4	126.8	126.6	126.7	130.4 (31/5)	100.1 (3/1)
GERMANY						
FAZ Aktien (31/12/58)	502.63	497.32	501.82	498.10	502.62 (6/7)	382.39 (3/1)
Commerzbank (1/12/53)	1473.3	1460.0	1475.8	1465.0	1488.2 (5/7)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1596.68	1578.54	1586.22	1616.17	1711.51 (19/8)	1220.74 (2/1)
ITALY						
Banca Comm. Ital. (1972)	378.02	375.34	375.88	373.83	378.48 (29/8)	228.56 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12491.80	12528.47	12630.96	12728.64	13040.10 (6/7)	11545.2 (5/1)
Tokyo SE New (4/1/68)	1002.7	1005.00	1012.50	1018.30	1055.91 (9/7)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	221.1	u	223.0	221.9	223.0 (3/9)	185.6 (3/1)
ANP-CBS Indust (1970)	193.6	u	194.1	193.3	194.1 (3/9)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	351.88	352.69	353.07	356.05	360.15 (22/8)	268.18 (2/1)
SINGAPORE						
Straits Times (1966)	753.09	750.12	751.86	754.78	852.65 (7/3)	717.95 (15/7)
SOUTH AFRICA						
JSE Gold (28/9/78)	−	984.0	981.1	987.2	1148.8 (15/4)	836.1 (11/2)
JSE Indust (28/9/78)	−	946.1	948.6	945.3	1036.8 (17/7)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	110.51	110.69	110.79	110.81	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1396.24	1379.50	1374.28	1368.10	1486.98 (11/2)	1285.32 (9/7)
SWITZERLAND						
Swiss Bank Cpn. (31/12/58)	477.0	478.2	481.8	483.9	483.9 (2/9)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	−	218.0	218.0	219.4	224.3 (17/7)	184.8 (4/1)

* Indicates pre-close figure ** Saturday August 31 Japan Nikkei Dow 12,716.52 TSE 1,017.58 Base values of all indices are 100 except Australia All Ordinary and Metals − 500 NYSE All Common − 50 Standard and Poors − 101 and Toronto Composite and Metals − 1000 Toronto indices based 1975 and Montreal Portfolio 4/1/83 † Excluding bonds ‡ 400 industrials § 400 industrials plus 40 Utilities Financials and 20 Transports c Closed u. Unavailable

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 39

Stock	Div.	Sales (Hnds)	High	Low	Last	Chng
Recotn		72	10	93/4	10	+ 1/8
RedknL	.64	55	283/4	28	283/4	+ 3/4
Reevos		690	113/8	11	11	− 1/8
RgcyEl	.20	91	65/8	61/2	65/8	+ 1/8
Softech		12	95/8	91/8	91/8	
SoftwA		477	161/4	151/2	155/8	+ 1/2
SonocPs	.68	86	281/4	28	281/4	+ 1/4
SoHosp		194	45/8	41/2	45/8	
Ungmn		177	143/4	143/8	143/8	− 3/8
Unifi		703	121/8	125/8	13	+ 1/4
UnPlntr	1.091	41	29	29	29	
UnTBcs	1.50	1	49	49	49	− 1
Zitel		13	3	25/8	25/8	
Ziyad		3	61/4	61/2	61/2	
Zondvn	.08t	157	13	123/4	13	+ 1/4
Zymos		133	3	2 15-16	2 15-16	− 1-16

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES			FALLS		
Allied-Lyons	285	+18	Berisford (S&W)	180	− 9
Bridon	127	+ 6	Brit Aero*	190	− 8
Burmah Oil	299	+ 8	CASE	118	−32
Christies Intl	247	+20	Cable & Wireless	555	−10
Comm Union	227	+ 6	Cadbury Sch	134	−10
Daejan	525	+35	Cookson	310	−23
Diamond Stylus	33	+ 7	Costain	446	−14
Distillers	372	+22	Fergabrook	40	−17
Hunterprint	241	+14	INSTEM	205	−20
Intl Sig & Con	295	+13	P&O Defd	405	−16
Lucas Inds	365	+34	Racal Elect	140	− 6
May & Hassell	87	+ 8	Somportex	73	− 7
Reed Intl	715	+30	Sun Alliance	460	−15
Scottish & Newc	177	+ 8	Thorn EMI	399	− 8
			Wadkin	97	−13

* Partly-paid

Prices at 3pm, September 5

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16	AAR	.56	2.3	16	143	u24⅛	23⅝	23⅞	+½
17⅜	9¾	AGS			12	34	15½	15⅜	15⅜	
21½	13	AMF	.25j		96	138	13⅝	13½	13½	−⅛
50¾	24⅞	AMR			7	3189	43⅞	43¼	43¼	−⅝
23½	18⅝	AMR	pf2 18	9 3		3	23⅜	23¼	23⅜	−⅛
25⅞	23	ANR	pf 2.67	11.		1	23⅜	23⅜	23⅜	
14¼	7⅜	APL				9	9⅞	9⅞	9⅞	+⅛
61⅛	34¾	ASA			25.2	747	39⅛	38¼	38¼	−⅞
27	12½	AVX	.32	2.5	18	807	12⅝	12½	12⅝	−⅛
28⅛	18⅛	AZP	2.72	11.	7	1187	24¼	23⅞	24	
60	36¾	AbtLab	1.40	2.5	16	501	57¼	56⅝	56⅞	
25⅞	20	AccoWd	.50	2.2	17	4	22¾	22¾	22¾	
24¾	12½	AcmeC	40	2.8		20	14¼	14	14¼	+¼
10½	7⅜	AcmeE	.32b	4.2	11	58	7¾	7⅝	7⅝	−⅛
19	15½	AdaEx	1.92e	11.		23	17⅝	17½	17⅝	
20	13½	AdmMl	32	2.0	7	19	16⅜	16	16⅜	+⅛
18⅛	6⅝	AdvSys	.53t	4 5	19	177	12⅛	11⅞	11⅞	−⅛
40⅝	22⅛	AMD			16	2015	26¼	25⅝	26	−⅛
12⅞	6⅞	Advest	.12	1.3	21	9	9⅜	9¼	9¼	
15⅞	9½	Aeflex			12	235	13⅞	13⅝	13¾	
49⅝	32⅝	AetnLf	2.64	6 1	15	1206	43⅝	43⅜	43½	

Continued on Page 39

NYSE COMPOSITE PRICES

Continued from Page 38

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, September 5

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Resumption of downward drift

THE DOWNWARD drift resumed on Wall Street yesterday as investors deferred their re-entry until more convincing signs emerge of a rebound in the domestic economy, *writes Terry Byland in New York.*

Bond prices gave up about half a point after the possibility of federal help for the farm credit system was suggested by government spokesmen.

At 3pm, the Dow Jones industrial average was up only 0.68 at 1,327.40.

The retail sector was unimpressed by details from the major store groups of their sales in August, an important period when the reopening of the schools heralds the autumn and winter sales season.

Among the leading names, Sears was $¼ off at $34½, J. C. Penney, unchanged at $48½ and K mart down $¼ at $31⅞ made little response to modest sales gains for the month.

Sharper gains failed to ignite Zayre which was $⅛ off at $53⅞ and Walmart $¼ up at $51.

Airline stocks, hit by adverse brokerage opinions in the past week, gave further ground. United tumbled 1⅛ to $52⅛, and among fellow domestic carriers, Delta down $½ at $43⅞, and American, $⅝ lower at $43½, were also weak. At $7, Pan Am gave up a further $¼.

Boeing was a firmer spot up 1⅞ at $48⅝. The company is likely to benefit from the pending replacement of major airline fleets.

Defence aerospace stocks staged a good recovery after the setback in the previous session when several of the big manufacturers faced contract shifts by the Pentagon.

General Dynamics, which is to be allowed to compete for a defence fighter contract, gained 1⅜ to 78½. Northrop, losing its guarantee of the same contract, recouped $⅛ to $51⅝ after falling sharply in the previous session.

There was another selling bout in Union Carbide as Wall Street responded to the board's plans to cut the overseas workforce and address the question of the share stake held by GAF. At $54⅛, Carbide stock dipped by $1⅛.

SCM shares firmed $⅝ to $72⅝ on the announcement that Mr Ivan Boesky had increased his stake in the company to 12.1 per cent.

SCM is under offer from Hanson Trust and news of the Boesky stake increased speculation that the fight for control may intensify.

E.F. Hutton shares added $¼ to $36⅝ following the finding by the former Attorney General, Mr Griffin Bell, that the company's top officers were guilty of no wrongdoing in the fraud case brought against the group.

IBM sustained the Dow average with a gain of $½ at $127⅞ although the rest of the technology sector was mixed. Burroughs shaded by $¼ to $64 and Honeywell by $⅝ to $61⅝.

Motors stocks remained in the doldrums. At $3⅛, American Motors was unimpressed by boardroom predictions of break-even trading in the near term. General Motors edged up $⅛ to $66⅝ and Ford dipped $⅛ to $43⅞ but neither saw heavy trading.

Bank stocks brightened a little, led by Chase Manhattan which was $⅛ up at $54⅝ and BankAmerica, $⅛ higher at $15⅝. But the banking issues continued to look for a guide as to trends in short-term rates.

Federal funds continued to trade comfortably below 8 per cent and other short-term rates had a quiet session. Bond prices gave ground steadily in thin trading. Traders expected to face news of another jump in money supply later in the session.

AUSTRALIA

BRISK DEMAND for blue chip and gold shares in Sydney overturned the weaker tone of the previous session as the recent batch of trading statements continued to permeate the market.

BHP recouped the 4 cents it lost on Wednesday to return to A$7.06 while CRA held steady at A$5.46.

Takeover speculation surrounded North Broken Hill again firming the share a further 6 cents to A$2.54 in heavy turnover.

Westpac featured with block sales and added 3 cents to A$4.40 although ANZ dipped 1 cent to A$4.66.

Wormald lost 1 cent to A$3.95 ahead of results and Elders IXL shed 1 cent to A$3.10 ahead of its UK bid movements.

SINGAPORE

SHORT-COVERING and bargain hunting firmed Singapore share prices and nudged the Straits Times industrial index 2.97 higher to 753.09.

Among the most actives were Federal Cables 6 cents higher at S$1.15, MBF Holdings 21 cents ahead at S$16 and Surpreme Corporation 57 cents up at S$1.78.

Other features included General Corporation 20 cents higher at S$1.79 and OCBC 10 cents up at S$8.20.

Singapore Press added 5 cents to S$5.55, while Cold Storage was one of the few issues to weaken with a 2 cent decline to S$2.83.

HONG KONG

INSTITUTIONS returned in force in Hong Kong helping to erase three days' of losses and boosting the Hang Seng index 18.14 to 1,596.68.

Concern over interest rates persists with most analysts forecasting another rise shortly. The prime rate was increased by 1 percentage point on Monday.

Hongkong Land picked up 5 cents to HK$6.15 on results while Cheung Kong firmed 40 cents to HK$18.10. Swire Pacific ended 30 cents stronger at HK$25.60 as Hutchison Whampoa added 20 cents to HK$26.90.

EUROPE

Foreigners speed up the tempo

FANNED by heavy foreign buying orders, a broad range of leading stocks advanced strongly in Frankfurt yesterday with automotive issues again at the forefront of market interest.

Expectations of continued appreciation in the D-Mark's value against other currencies excited the foreign demand that provided a steady impetus after a hesitant start.

The Commerzbank index almost recouped Wednesday's fall with a 13.3 advance to 1,473.3, taking it closer to the record of 1,486.2 struck on July 5.

The international motor show in Frankfurt next week also spurred activity among car makers' stocks. Daimler received most support and closed at a record DM 1,001, up DM 40.50.

Other stocks taken in tow were BMW which closed DM 17.30 higher at DM 484.30 and VW DM 9 up at DM 332.0. Among electrical stocks, Siemens firmed DM 9.20 to DM 552.20 and AEG edged DM 1.50 higher to DM 139.70.

Allianz featured in the financial sector with a DM 34 improvement to DM 1,472, although exposure to South Africa's debt problems again left banks struggling to hold their ground.

Deutsche slipped DM 1 to DM 573 with Commerzbank the best performer closing DM 3.50 higher at DM 206 ahead of Dresdner which added DM 3.40 to DM 268.90.

Chemicals recovered from their recent losses. BASF firmed DM 3.60 to DM 219.60, Hoechst DM 4.10 to DM 215 and Bayer DM 3.30 to DM 217.80.

Bonds were actively traded with special demand for longer maturities. The Bundesbank sold a large DM 78.3m worth of domestic paper after purchases of DM 3.8m on Wednesday.

Brussels again overrode consideration about turbulence in domestic politics with a continuation of this week's rally which carried the Stock Exchange index to another record. It closed 11.31 higher at 2,419.72.

International institutional support formed the foundation for active buying of GB-Inno-BM which rose a further BFr 240 to BFr 4,300. Wagons Lits was again in demand, adding BFr 80 to BFr 3,620, following a company forecast that earnings would exceed those returned during the previous 12 months.

Chemical and non-ferrous metal stocks were again firmer with Ebes leading a weaker utilities section through a BFr 20 fall to BFr 2,995.

Petrofina moved against the rise and closed BFr 20 lower at BFr 6,100 and Cometra eased BFr 15 to BFr 2,585.

Amsterdam ended mixed with many investors sitting on the sidelines awaiting the release of the Dutch budget due in two weeks.

Among leading issues, Royal Dutch shed 10 cents to Fl 197.60, Akzo 10 cents to Fl 125.80 and Philips closed steady at Fl 49.90. Improvers included Unilever which advanced Fl 1 to Fl 338 and KLM 30 cents to Fl 60.70.

Upward pressure on domestic interest rates depressed share prices in Paris during moderate trading. The sentiment was further dampened by the quickening pace of corporate capital increases and public offerings which are expected to drain funds from the market.

Prices drifted lower during active business in Zurich as profit-takers moved in to pick up recent advantages.

Alusuisse sustained another setback on growing expectations of reduced annual earnings. It closed SwFr 50 lower at SwFr 735. Financials and holding company stock turned mixed. Elektrowatt lost SwFr 35 to SwFr 3,390 and Jacobs Suchard SwFr 75 to SwFr 6,625.

Speculation of a cut in local interest rates boosted activity in Stockholm, forcing the prices of leading stock higher. Overseas buying backed a SKr 1 rise to SKr 132 for Aga while Alfa-Laval firmed SKr 11 to SKr 207 and Asea SKr 27 to SKr 320.

Milan stocks were again actively traded with institutions providing large buying orders. Madrid fell again with banks under most pressure.

LONDON

INTENSE speculative activity dominated the London stock market yesterday as Elders IXL prepared to lay siege to Allied Lyons with a 250p per share offer, which the latter subsequently dismissed as "ludicrously inadequate." Allied closed 18p higher at 295p.

Late speculative demand developed in Distillers adding 22p to 372p, while Cadbury Schweppes fell 10p to 134p on results.

Gilts, helped by the relatively steady trend in sterling, firmed slightly.

The Financial Times FT Ordinary index reversed an early 8 point fall to finish 3.1 down at 1,003.3.

Chief price changes, Page 37; Details, Page 36; Share information service, Pages 34–35

CANADA

FINANCIALS dominated the active trading in Toronto that took the market lower for the fourth consecutive day. Royal Bank picked up C$⅛ to C$31⅝, Royal Trustco edged down C$⅝ to C$22½ while Canadian Imperial Bank of Commerce, which reported higher third-quarter earnings, traded C$3⅝ higher to C$38¾.

Banks were one of the few firm spots in a broadly lower Montreal.

SOUTH AFRICA

THE STEADY bullion price injected a note of stability into Johannesburg gold shares amid moderate, selective local demand.

Southvaal glittered with a R4.50 rise to R84 although Libanon lost 75 cents to R37.25. Mining financials were mixed but other diamond and platinums shares eased slightly. De Beers turned 5 cents cheaper to R11.40 and Rustenburg lost 10 cents to R17.40. Industrial leader Barlow Rand shed 30 cents to R11.45.

TOKYO

Uncertainty on yen adds to weakness

THE WEAKNESS of large-capital stocks and uncertainties over the yen's moves discouraged investors in Tokyo yesterday and share prices closed lower for the third consecutive day, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average lost 37.67 from the previous day to 12,491.80. Volume decreased further from Wednesday's 305m shares to 299m. Declines outnumbered advances by 420 to 356, with 159 issues unchanged.

Large capital isses which had led market activity since late August and were expected to remain the prime mover in September came under heavy profit-taking pressure.

Investors were at a loss for selections and speculative funds seeking quick capital gains poured into small capital incentive-backed issues.

Nippon Metal Industry topped the active list with 11.93m shares changing hands and jumped Y34 to Y340 on rumours of a takeover bid by a foreign company. There were also reports that Daiwa Bank, the largest shareholder of the stainless steelmaker, might sell off its Nippon Metal shares to clear bad loans to bankrupt Sanko Steamship.

Mitsubishi Heavy Industries was sold by institutional investors to take profits, finishing Y3 lower at Y388. The issue was the second most active stock with 11.66m shares. Other large-capital stocks fared poorly, with Nippon Steel and Kawasaki Steel falling Y1 each to Y171 and Y149 respectively.

Minebea, tipped as the target for a takeover bid by Trafalgar Holdings, was the fourth most active stock with 7.70m shares, but closed Y15 lower at Y816 after moving erratically. Among other big gainers were Yomeishu Seizo and Nikken Chemicals which spurted Y50 and Y41 to Y850 and Y966 respectively.

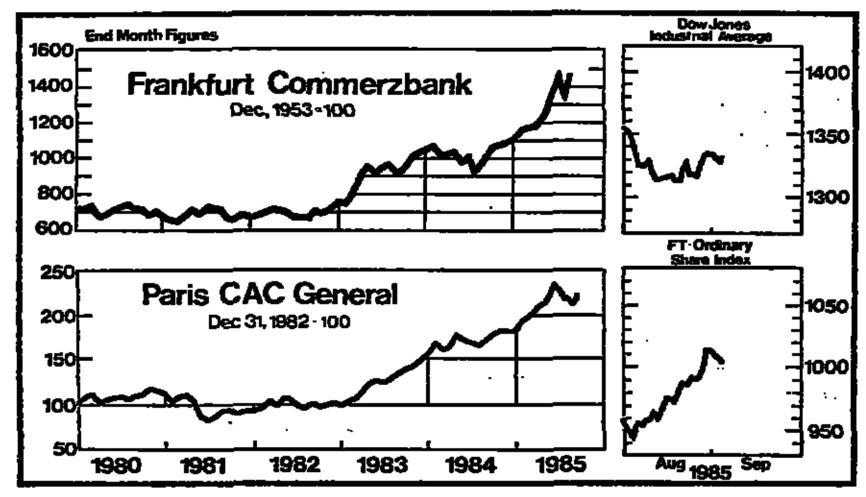
Takasago Corporation, the fifth busiest stock with 5.43m shares traded, leaped Y74 to Y774, Riken Corp, Y63 to Y650 and Tokyo Sanyo Electric Y26 to Y675.

Hitachi, which had been sold in anticipation of a profits fall in the current business year, closed Y10 higher at Y655. But NEC dropped Y6 to Y901 and Matsushita Electric Industrial Y10 to Y1,180.

The bond market entered a "money game" and prices rose sharply. There were no fresh incentives behind the rise, excluding the overnight firmness of U.S. government bonds. But financial institutions, notably city banks, and brokerage houses moved in to earn quick capital gains.

The yield on 6.8 per cent government bonds falling due in December 1994 declined sharply from 6.165 per cent the previous day to 6.105 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	Sept 5	Previous	Year ago
DJ Industrials	1,327.40*	1,326.72	1,209.03
DJ Transport	673.10*	679.66	506.12
DJ Utilities	159.37*	159.06	128.80
S&P Composite	187.47*	187.37	164.29
LONDON	**Sept 5**	**Previous**	**Year ago**
FT Ord	1,003.3	1,006.4	848.9
FT-SE 100	1,322.0	1,336.7	1,082.6
FT-A All-share	640.56	642.56	516.67
FT-A 500	704.11	706.14	561.90
FT Gold mines	309.5	289.9	531.9
FT-A Long gilt	10.31	10.31	10.75
TOKYO			
Nikkei-Dow	12,491.80	12,529.47	10,545.50
Tokyo SE	1,002.7	1,005.00	810.71
AUSTRALIA			
All Ord.	938.5	934.5	721.8
Metals & Mins.	524.0	521.2	441.6
AUSTRIA			
Credit Aktien	99.47	99.75	53.40
BELGIUM			
Belgian SE	2,419.72	2,408.41	–
CANADA	**Sept 5**	**Prev**	**Yr ago**
Toronto			
Metals & Minls	2,056.0*	2,067.1	1,973.0
Composite	2,788.1*	2,794.0	2,366.1
Montreal			
Portfolio	135.47*	136.00	115.84
DENMARK			
SE	n/a	215.83	182.3
FRANCE			
CAC Gen	223.1	223.1	173.2
Ind. Tendance	125.4	126.6	112.1
WEST GERMANY			
FAZ-Aktien	502.63	497.32	344.07
Commerzbank	1,473.3	1,460.0	1,000.8
HONG KONG			
Hang Seng	1,596.68	1,578.54	946.87
ITALY			
Banca Comm.	378.02	375.34	215.19
NETHERLANDS			
ANP-CBS Gen	221.1	221.3	165.2
ANP-CBS Ind	193.6	126.6	130.8
NORWAY			
Oslo SE	351.88	352.69	253.36
SINGAPORE			
Straits Times	753.09	750.12	916.43
SOUTH AFRICA	**Sept 5**	**Prev**	**Yr Ago**
JSE Golds	–	984.0	926.8
JSE Industrials	–	946.1	828.5
SPAIN			
Madrid SE	110.51	110.69	142.44
SWEDEN			
J & P	1,396.24	1,379.50	1,459.56
SWITZERLAND			
Swiss Bank Ind	477.0	478.2	375.8
WORLD	**Sept 4**	**Prev**	**Year ago**
Capital Int'l	218.0	218.0	182.4

GOLD (per ounce)

	Sept 5	Prev
London	$325.75	$324.75
Zürich	$325.00	$325.50
Paris (fixing)	$326.45	$329.04
Luxembourg	$326.75	$324.00
New York (Oct)	$322.00*	$326.70

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Sept 5	U.S. DOLLAR Previous	STERLING Sept 5	STERLING Previous
$	–	–	1.365	1.374
DM	2.86	2.8475	3.9075	3.9175
Yen	239.9	239.55	327.5	329.0
FFr	8.7325	8.7025	11.92	11.9475
SwFr	2.356	2.3455	3.21	3.2125
Guilder	3.215	3.21	4.39	4.395
Lira	1,911.5	1,905.0	2,611.0	2,618.0
BFr	57.75	57.65	78.9	79.2
C$	1.36785	1.36875	1.8694	1.88

INTEREST RATES

Euro-currencies (3-month offered rate)	Sept 5	Prev
£	11 11/16	11⅝
SwFr	4 11/16	4⅞
DM	4⅝	4¾
FFr	10 9/16	10 9/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 5/16	8¼
6-month U.S.$	8 7/16	8⅜
U.S. Fed Funds	7¾*	7⅞
U.S. 3-month CDs	7.75*	7.85
U.S. 3-month T-bills	7.105*	7.04

U.S BONDS

Treasury		Sept 5* Price	Sept 5* Yield	Prev Price	Prev Yield
8⅝	1987	99 30/32	8.908	100 6/32	8.84
10⅜	1992	101 4/32	10.143	101 20/32	10.03
10½	1995	101 19/32	10.279	102 4/32	10.15
10⅝	2015	101 6/32	10.489	102 4/32	10.39

Corporate	Sep 5* Price	Sep 5* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	100½	10.23	100⅞	10.10
3⅞ July 1990	82⅝	8.40	82¾	8.25
8⅜ May 2000	83⅞	11.00	83¾	10.85
Xerox				
10⅜ Mar 1993	99½	10.72	100.886	10.45
Diamond Shamrock				
10⅜ May 1993	97½	11.12	100.618	10.50
Federated Dept Stores				
10⅜ May 2013	94⅝	11.25	95.09	11.20
Abbot Lab				
11.80 Feb 2013	102½	11.50	103.313	11.40
Alcoa				
12¼ Dec 2012	100½	12.25	101⅞	12.00

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	76-04	76-19	76-01	76-23
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.67	92.82	92.66	92.79
Certificates of Deposit (IMM) $1m points of 100%				
Dec	91.83	91.97	91.83	91.93
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.58	91.66	91.57	91.62
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112-05	112-03	112-01	111-30

COMMODITIES

(London)	Sept 4	Prev
Silver (spot fixing)	441.55p	442.85p
Copper (cash)	£1,015.00	£1,014.00
Coffee (Nov)	£1,638.50	£1,645.00
Oil (spot Arabian Light)	$27.65	$27.80

WEST GERMANY

Car makers prove the driving force

THE JOURNEY to record share price peaks for West German car makers this year was started by the stronger dollar and subsequently fuelled by a remarkable profits performance of the sector, *writes Paul Hannon in London.*

In February, when the dollar was fetching nearly DM 3.50, the entire West German stock market was invaded by waves of foreign buyers picking up relatively cheap blue-chip stocks at bargain basement prices. The inevitable retreat by the dollar below DM 3.10 for the past six months has not inspired the feared sell-off as the West German motor industry expands production, captures new export markets and tightens its grip on the title of Europe's most successful supplier of passenger vehicles. At the moment, one in every five cars sold in Europe is made in West Germany.

However, the domestic market has posed problems. Volkswagen at the cheaper end was confronted with uncertainty in the first half over the scale, timing and standards for emission control, while BMW has seen its domestic market share slump as its model range begins to look dated. BMW has also seen its major rival, Daimler, make inroads into what the Bavarian group traditionally considered its own, safe, niche.

The dollar/D-Mark exchange rate has been most telling on the quality sports car maker, Porsche. Still relatively new to the vicissitudes of the bourse, Porsche, which listed mid-way through last year, has seen its share price move from a New Year's low of DM 1,039 to reach a 1985 peak of DM 1,380 in mid-March on the strength of the dollar. The subsequent firming of the D-Mark prompted a retreat in its share price but by early July the group had scaled a new – albeit shorter lived – peak of DM 1,525. Porsche is back trading at around the DM 1,300 level and closed yesterday up DM 30 at DM 1,355.

The group's share activity illustrates as much about the West German analytical approach to research as it does about the dollar.

Having ignored, or tried to ignore the impact of the dollar for some time – and it is difficult to do so with a group that has 47 per cent of its sales in the U.S. – West German analysts appear to be overreacting to the exchange rate.

Many of the current earnings forecasts for Porsche assume a DM 3 exchange rate (although the group used a DM 2.54 rate in its own accounts last year) and project earnings per share of between DM 150 and DM 170. The more doom-laden forecasters project that if the dollar falls much below DM 3, earnings will be cut to as low as DM 110 per share, leaving prospective earnings multiple of between 12.1 and 8.3. So if the dollar holds firm, Porsche shares could still look attractive in a market with an average p/e of 10.

The conservative approach of the West German business community has much to do with the effect of making motor industry shares look cheap.

London broker James Capel suggests that the ratings and forecasts were so cautious after last year's metalworkers' strike that when profits were finally struck for 1984 they discovered that the shares were on mutiples of 8 times earnings, not the 12 they imagined. In fact, they were cheaper after the rise of the dollar than before. Nothing but the perception of their worth had changed.

WEST GERMAN CAR MAKERS (% of European market)

	First-half 1985	First-half 1984
VW-Audi	12.9	11.9
Daimler-Benz	3.6	3.0
BMW	2.8	3.0
Porsche*	.0022	.0019

Source: Industry Data *Estimate

Capel suggests that earnings estimates for 1985 are also too conservative.

Daimler-Benz has staged as dramatic a rise as Porsche but without the same pronounced declines in share value due to technical or currency factors. Daimler has 3.6 per cent of the domestic car market, a 20 per cent rise over the first half of 1984.

It has expanded its model range and shifted its targeted clientele – or "moved down market" as some critics say. Although almost half of group turnover comes from its barely profitable trucks division – which increased sales by nearly 10 per cent in July – the passenger car market sector is seen as its lifeline. Before the dust settled over the emission controls debate, Daimler diesel models were being snapped up as a reliable, environmentally safe bet regardless of emission standards. Daimler has risen from just below DM 600 per share in January to a record DM 1,001 yesterday. It normally has a p/e of around 10, but its additions of Dornier and the MTU aero-engines business have added perhaps another 2 points to its p/e.

World sales at DM 25bn for the first half represent a 24 per cent increase, although its truck operations particularly in developing countries like Brazil have managed to curb losses, force competitors out of the running and effectively lay the groundwork for future profitability.

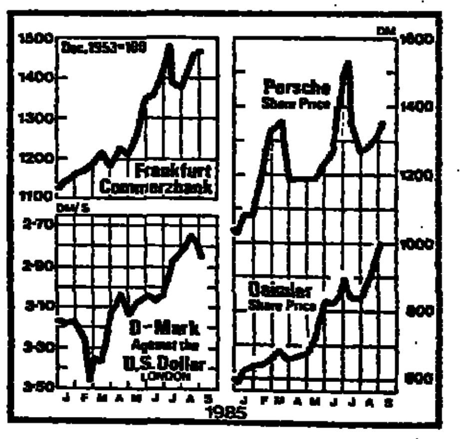
Group earnings per share for the current year are estimated at between DM 62 and DM 75.

BMW has been the main casualty in Daimler's domestic expansion. The Bavarian group has seen its domestic market share slump 34 per cent in the first quarter, but a brisk rebound in the second quarter has allowed it to restore much of its position. It is faced with 450,000 per annum sales/production plateau but hopes its new Regensburg plant, due to come on stream in 1988, will take capacity of 550,000 units.

New models are planned, some of which will appear at next week's Frankfurt Motor show, in an attempt to shift its unhealthy (65 per cent) reliance on the 3-series. It acknowledges that many potential young buyers find its product outdated and is attempting to alter this image. Ironically, BMW's styling is a major attraction in many overseas markets, particularly Japan.

Indeed, the overseas markets are at the very core of BMW's corporate future and likely stock market performance.

Herr Eberhard von Koerber, BMW's group sales executive, has stressed that a major corporate objective is that no single export market will be permitted to account for more than 15 per cent of annual production. Its U.S. market of perhaps 80,000 units clearly exceeds this parameter, so growth will be sought elsewhere. The laudable practice of not placing too many eggs in one car market for fear of protectionist reprisals does not meet with approval from some Frankfurt analysts, however, who see BMW raising its North American profile with a huge drive into the Mid-west taking total sales over 100,000.



West German analysts maintain that BMW is undervalued since the group has not consolidated its world operations into its accounts and that most if not all judgments on the company's performance have been based solely on its domestic earnings. Domestic turnover is DM 12.9bn, with an additional DM 3.5bn coming from abroad.

VW-Audi became the leading European car maker in the first half by boosting its market share from 11.9 per cent to 12.9 per cent (715,000 units). However, domestic sales were badly hit, more than any of the other more expensive West German car producers, by the uncertainty over emission controls standards.

VW has benefited from the D-Mark exchange rate movement. In the first six months of the year the average rate was DM 3.15 to the dollar against DM 2.58 for 1984 as a whole. It has been calculated that a 1 pfg movement in the rate adds DM 10m to group profitability. Earnings estimates vary hugely with much common ground being found around the DM 65 per share level leaving the group on a multiple of 5.1 on yesterday's close of DM 332. Other estimates put earnings as high as DM 95 per share.

Of all the car makers, it is the most likely to benefit from next year's higher personal tax allowances, which are expected to trigger a small explosion in consumer demand throughout the economy.

Lower interest rates are already beginning to stoke up demand.

Overall analysts agree that the leading car makers are poised for dynamic growth for the rest of 1985 and that these evergreen blue chips are likely to be in the vanguard of the market's advance throughout next year.